Analyst Conference Call
Q1 2020 results

May 12, 2020
Hermann J. Merkens, CEO – Marc Hess, CFO

Aareal
YOUR COMPETITIVE ADVANTAGE.

Agenda

- Business development in times of Covid-19 and Highlights Q1/2020
- Asset Quality
- Segments
- Group results Q1 2020
- Capital, B/S, Funding/Liquidity
- Outlook 2020

- Appendix

Business development in times of Covid-19 and Highlights Q1/2020

01

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Business development in times of Covid-19

The Covid-19 crisis is shaking the world

What we see: The perfect storm

Covid-19 caused the sharpest global recession in post-war history - with dramatic effects on all sectors of the economy

How Aareal Group entered into this crisis: Robust and resilient

- **Conservative risk profile**: High quality credit book with historically low LTVs
- **Strong capital base**: Ratios offering substantial leeway to absorb potential crisis effects
- **Solid liquidity position**: Business activities comfortably funded on the basis of our stable and unique funding mix
- **Well-diversified business**: Aareon remains on track due to well positioned digital business model and a high level of recurring revenue

What we expect: gradual recovery

We assume a continuous normalisation of the global economy from mid 2020 onwards,
followed by a significant recovery ("Swoosh" shaped) in 2021

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Highlights Q1/2020

Robust underlying performance while managing Covid-19 challenges

Aareal Bank Group		
	Solid Group Financials	▪ Positive Q1 results (operating profit € 11 mn), despite Covid-19 impacts and FY-banking levy ▪ Strong capital and liquidity position
	Resilient Segment Performance	▪ SPF: Strong new business with margins above plan Sound asset quality with comfortable LTVs ▪ C/S Bank: Significantly better results due to new modelling of deposits. Additionally improved earnings statement via adjusted transfer pricing ▪ Aareon: Further growth, marginal Covid-19 effects in Q1/2020
	Outlook	Based on our assumptions and from today's point of view, we consider a substantially positive operating profit to be within reach. (see slide 36)

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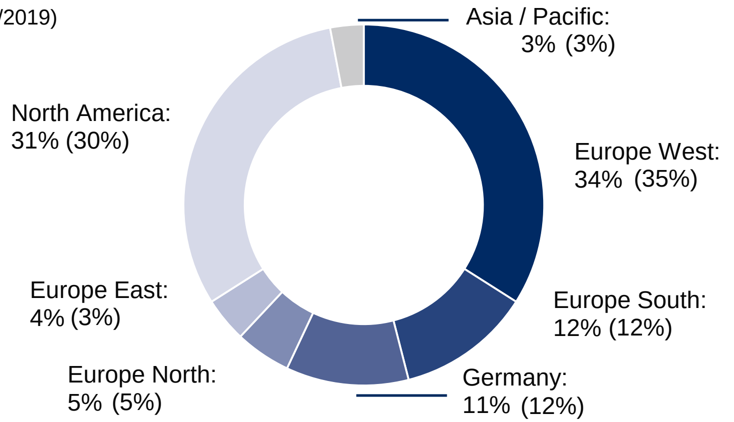
Asset quality

Commercial real estate finance portfolio (CREF)

€ 25.3 bn highly diversified and sound

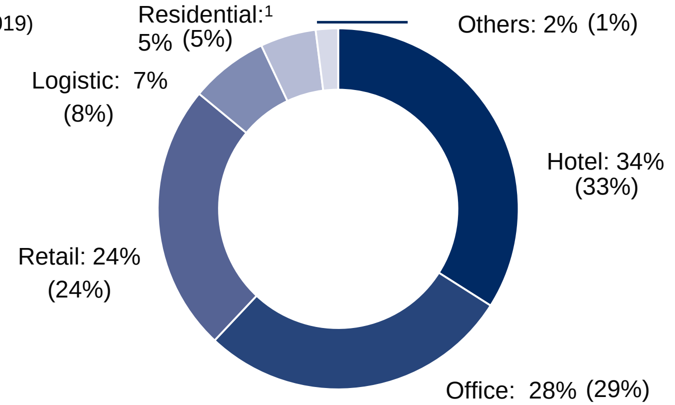
Portfolio by region

(vs. 12/2019)



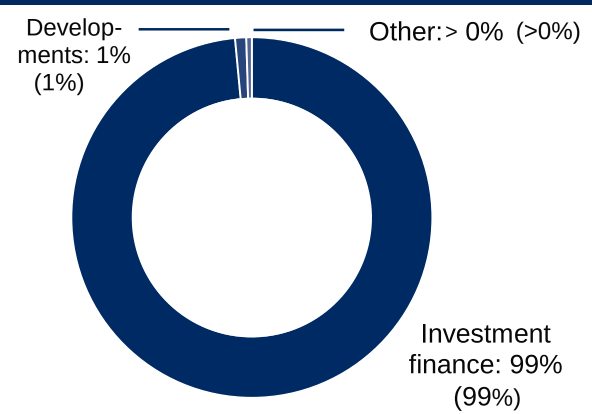
Portfolio by property type

(vs. 12/2019)



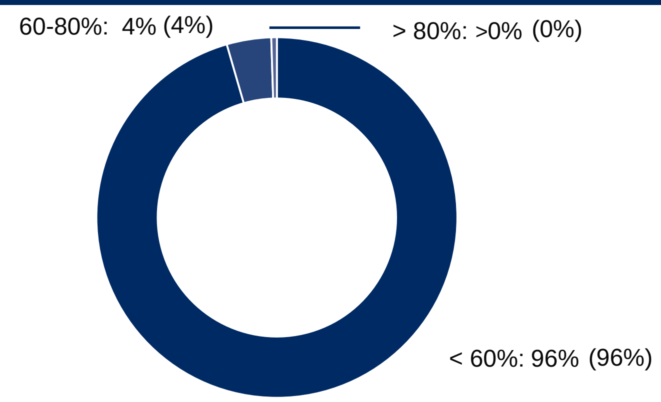
Portfolio by product type

(vs. 12/2019)



Portfolio by LTV ranges[2)]

(vs. 12/2019)



1) Incl. Student housing (UK & Australia only)
2) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

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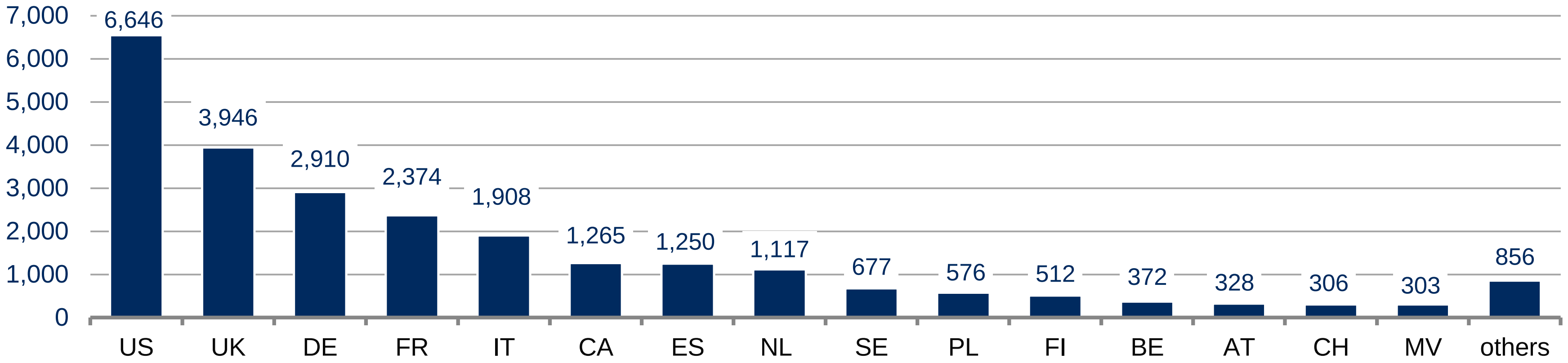
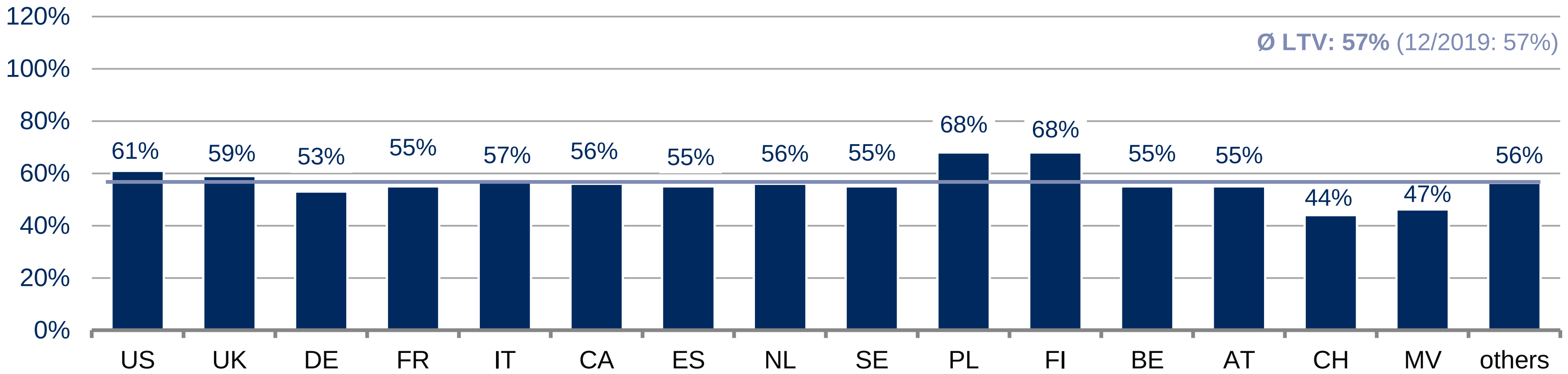
Commercial real estate finance portfolio (CREF)

LTV levelling out due to active portfolio management and succ. de-risking

Total commercial real estate finance portfolio (€ mn)



LTV[1)]



1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

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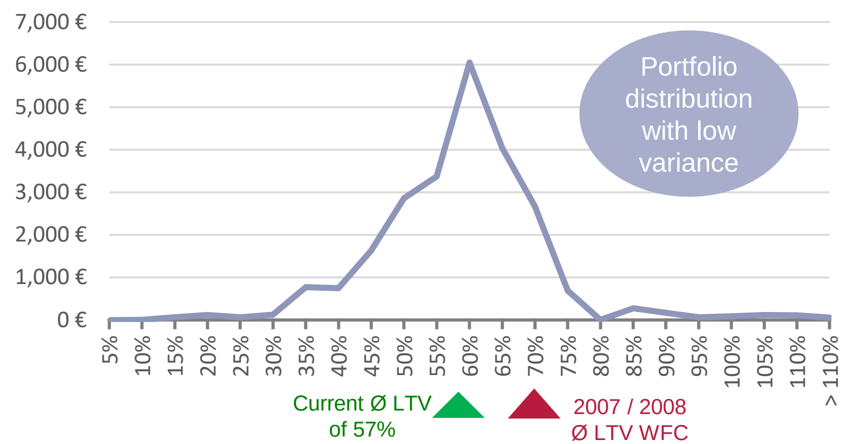
Commercial real estate finance portfolio[1)] (CREF)

Conservative risk parameters

Total CREF exposure by LTV[1)]



Portfolio risk matrix

Exposure		LTV 70% bis 75%	75% bis 80%	80% bis 85%	85% bis 90%	90% bis 95%	95% bis 100%	über 100%
Probability	100%	250		132		71		
	95%							
	90%							
	85%							
	80%							
	75%							
	70%							
	60%							
	40%							
	20%							

Density

Current average LTV of 57%

Layered LTVs:

- > 70% LTV exposure: € 250 mn
- > 80% LTV exposure: € 132 mn
- > 90% LTV exposure: € 71 mn

- **High portfolio concentration at 57% LTV**
- **Fairly small tail risk**

1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure (excl. commitments) as at 31.03.2020

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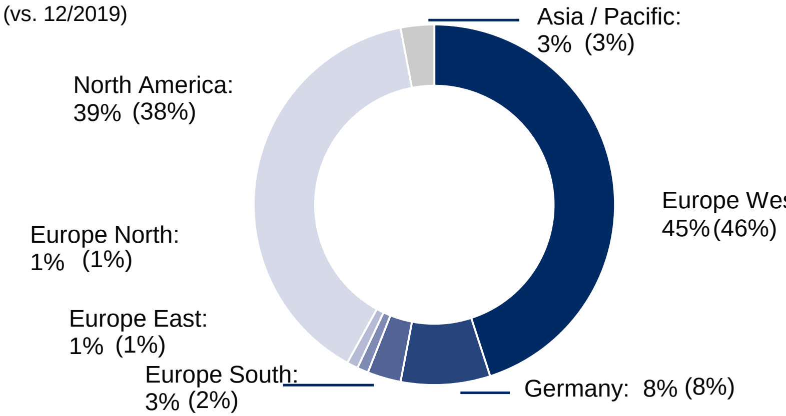
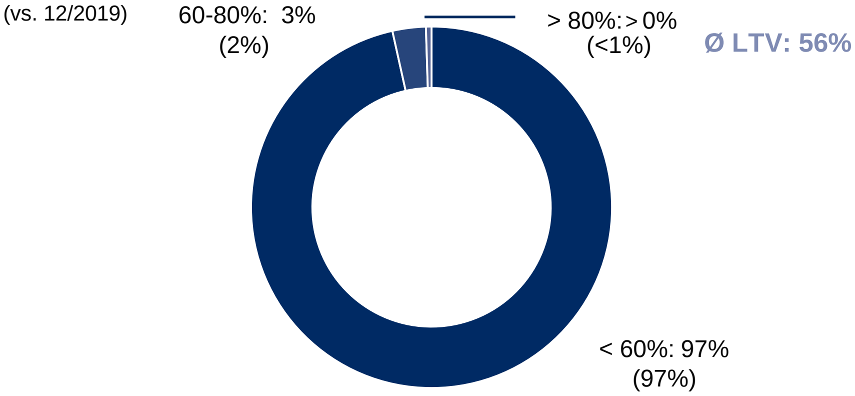
Spotlight: CREF-Hotel Portfolio (€ 8.5 bn)

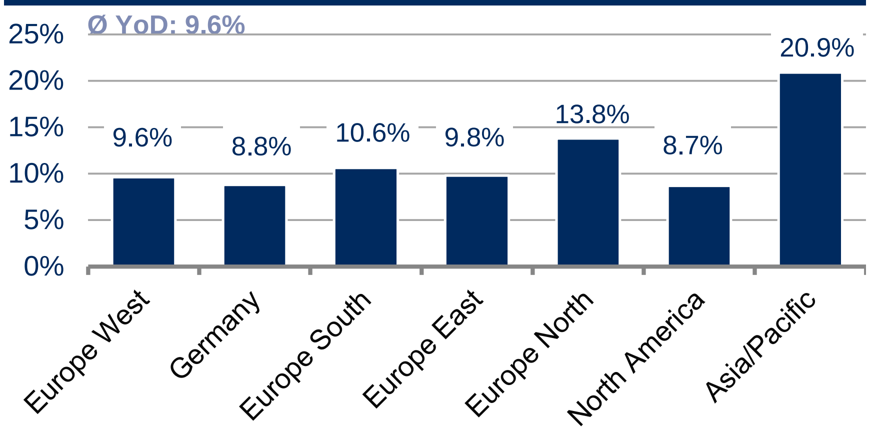
Hotel Portfolio by region



Hotel Portfolio by LTV ranges[1)]



Yield on debt[1)]



Comments

- Hotel portfolio represents 34% of total CREF-portfolio focussing on 5* and 4* hotels (leisure and business)
- Largest portfolio share in US (€ 2.1 bn), UK (€ 1.8 bn), CA (€ 1.3 bn), NL (€ 0.9 bn), DE (€ 0.7 bn), with substantial state support programs in place, in the US with dedicated focus on hotels
- Ø LTV of hotel portfolio below Ø portfolio LTV (57%)
- Ø YoD (9.6%) above Ø YoD of total portfolio (8.9%)
- Investment finance only, no developments
- LTV: € 29 mn > 70% / € 18 mn > 80% / € 9 mn > 90%
- Defaulted exposure: € 178 mn

1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

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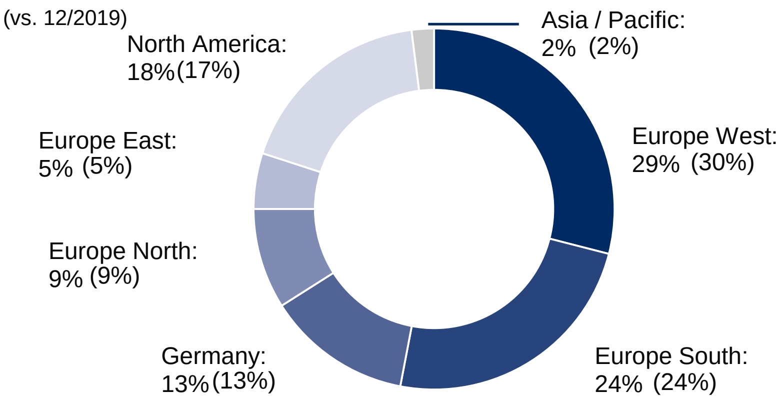
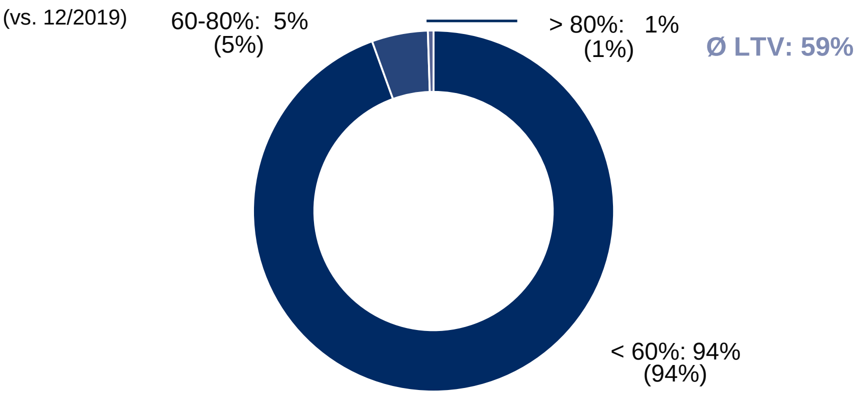
Spotlight: CREF-Retail Portfolio (€ 6.0 bn)

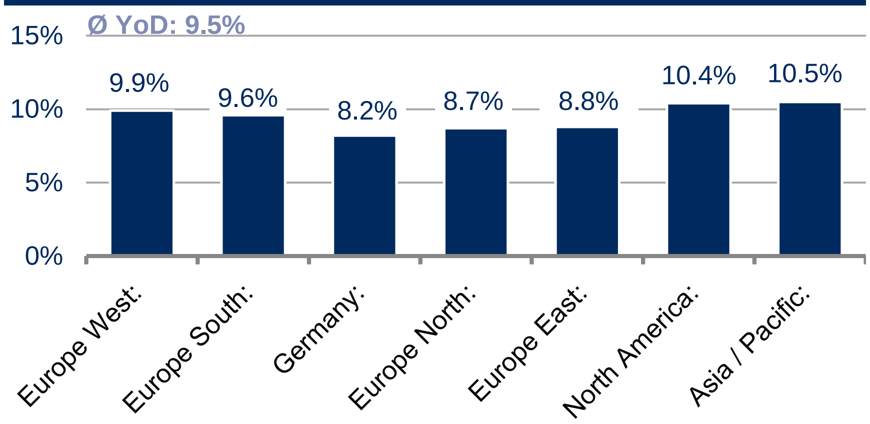
Retail Portfolio by region



Retail Portfolio by LTV ranges[1)]



Yield on debt[1)]



Comments

- Retail portfolio represents 24% of total CREF-portfolio
- ~80% of retail portfolio located in Europe
- Largest portfolio share in UK (~€ 1.3 bn), US (~€ 1.1 bn), DE and ES (~€ 0.8 bn each) and IT (~€ 0.7 bn), with substantial state support programs for tenants in place
- Ø YoD (9.5%) above Ø YoD of total portfolio (8.9%)
- Investment finance only, no developments
- LTV: € 188 mn > 70% / € 106 mn > 80% / € 62 mn > 90%
- Defaulted exposure: € 387 mn

1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

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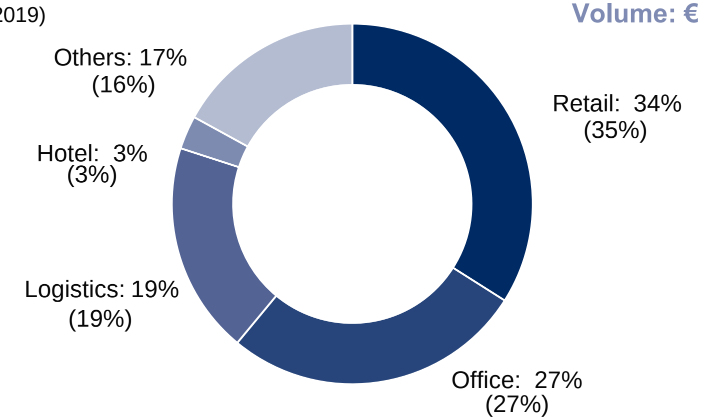
Spotlight: Italian CREF portfolio (€ 1.9 bn)

Successful de-risking led to substantial improvements

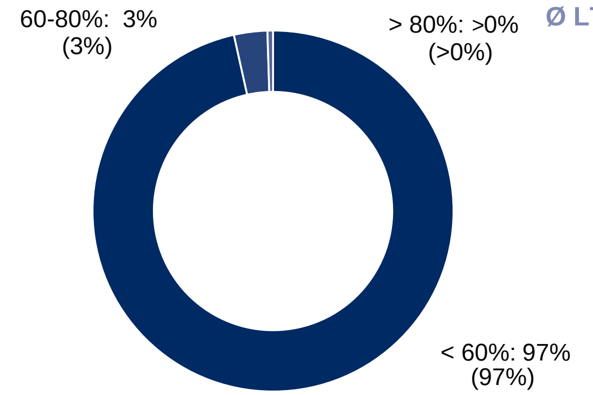
Italian Portfolio by property type

(vs. 12/2019) **Volume: € 1.9 bn**

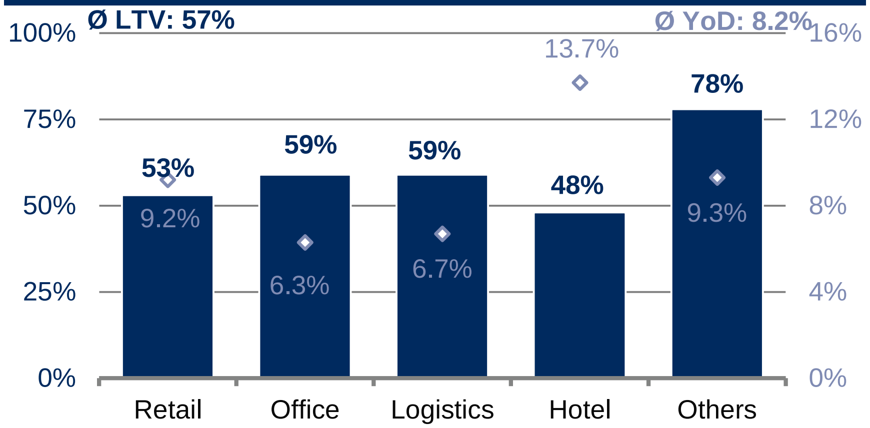


Italian Portfolio by LTV ranges[1)]

(vs. 12/2019) **Ø LTV: 57%**



Average LTV / YoD by property type[1)]



Comments

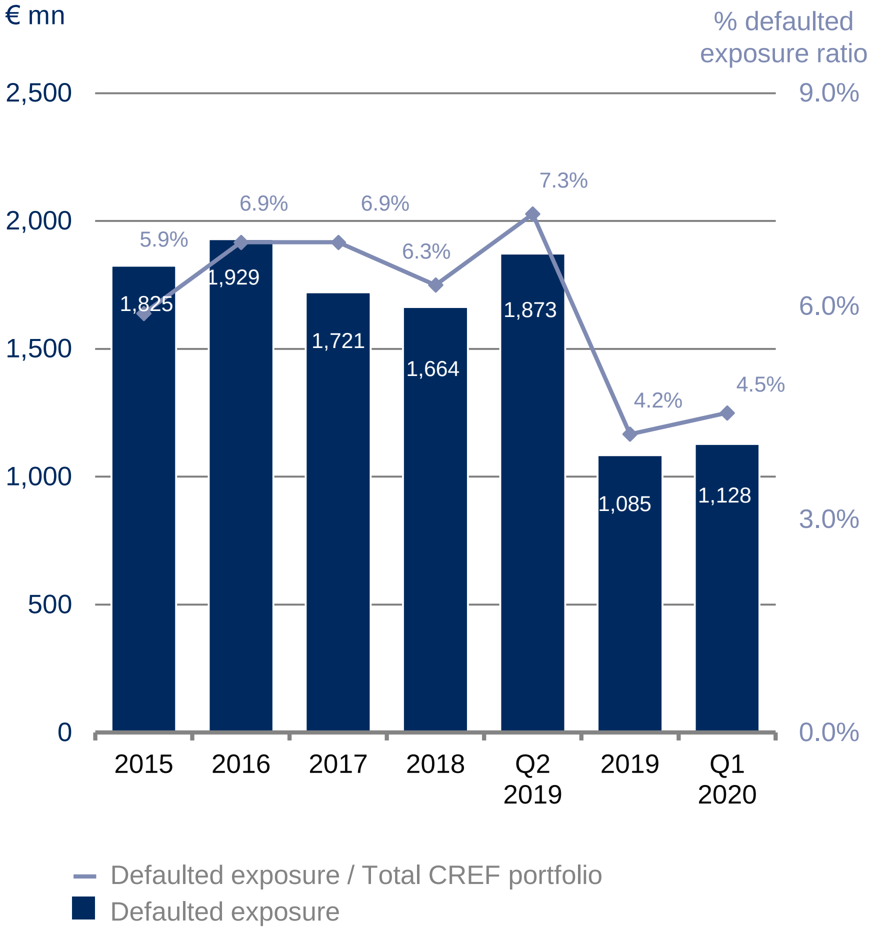
- Stable portfolio size after successful de-risking in 2019
- LTV: € 45 mn > 70% / € 9 mn > 80% / € 4 mn > 90%
- Defaulted exposure: € 631 mn

1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

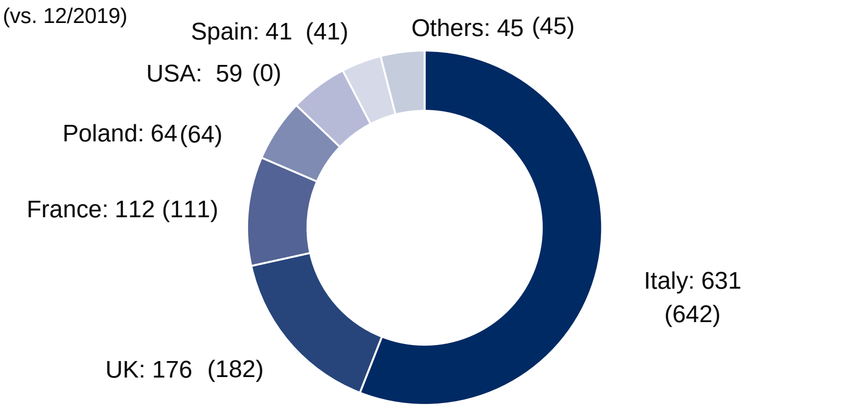
Defaulted exposure

Slightly increased NPL ratio driven by lower portfolio / one new NPL

Development of defaulted exposure



Defaulted exposure by country (€ mn)

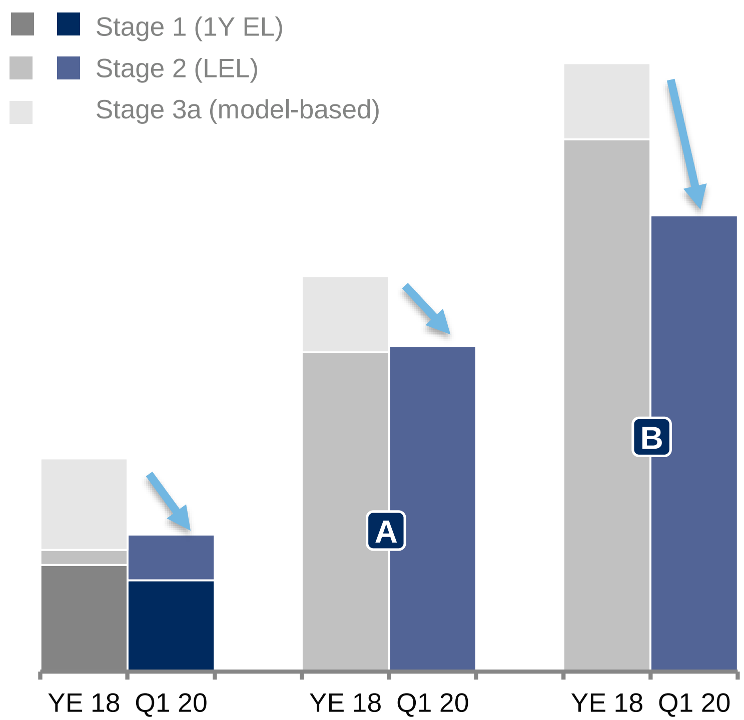


Slightly increased NPL ratio due to

- Lower portfolio size
- A single new NPL in the US: The already finally negotiated restructuring of a loan felt through due the outbreak of Covid-19

Commercial real estate finance portfolio (CREF)

Dimension of (theoretical) Stage migration effects have benefit from successful de-risking executed in 2019 and Covid-19 related provisions already considered in Q1/20 LLP



What: IFRS 9 Stage 2 maximum shift, LLP dimension depending on rating development

How:
- **A** Modelling an (unrealistic) theoretical case of 100% loan volume migrating from Stage 1 to Stage 2
- **B** Additional shift of 1-2 rating classes

Impact: Recognition in P/L

Dimension: Q1 2020: ~ € 100 mn additional Stage 2 LLPs
YE 2018: ~ € 150 mn additional Stage 2/3a LLPs

➔ Dimension of (theoretical) Stage migration effects have benefit from successful de-risking executed in 2019 and Covid-19 related provisions already considered in Q1/2020 LLP

Segments

03

Aareal Bank Group

The new lineup - THREE segments

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Structure Property Financing (SPF)

Commercial Real Estate Financing solutions on three continents:
Europe, North America, Asia/Pacific

Diverse property types (hotel, logistic, office, retail, residential, student housing);
additional **industry experts** in hotels, logistics and retail properties

Investment finance (Single asset, Portfolio, Value add)

Portfolio size: ~€ 26 bn; Ø LTV: 57%

Consulting / Services (C/S) Bank

Integrated payment transaction system for the housing industry (market-leading) and the utility sector

Financial Solutions:

- Payment processing provider
- Deposit Bank

Software Solutions:

- Intelligent solutions to improve connectivity and efficiency for bank and non-bank customers
- Ø deposit volume of € 10.5 bn in Q1 2020

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European leader for real estate software, 60+ years in the market serving c.3.000 customers and 10m+ units with 40 locations in DACH, Netherlands, France, Nordics and UK

Mission-critical ERP and a broad set of **modular Digital Solutions** built on a **cloud-enabled PaaS platform**

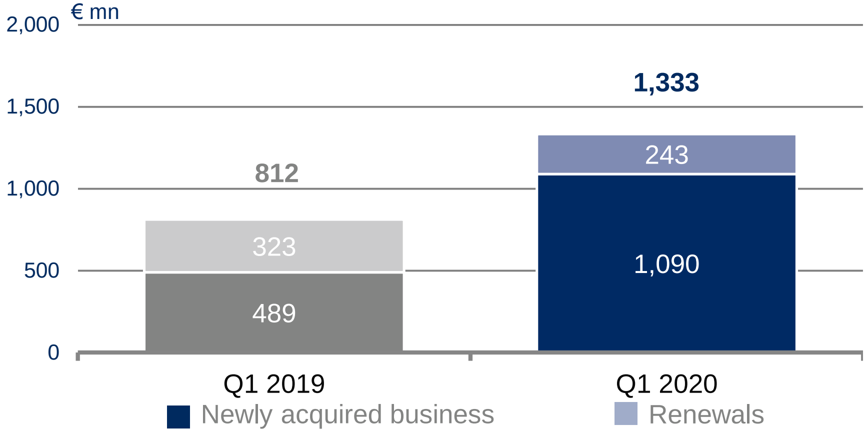
Sustainable and **resilient business model** with **strong downside protection** delivers **decades of consistent profitable growth**

Experienced leadership team combining deep **software expertise** and longstanding **real estate experience** with a strong **M&A roll-up** track record (with 675+ Software engineers)

Structure Property Financing

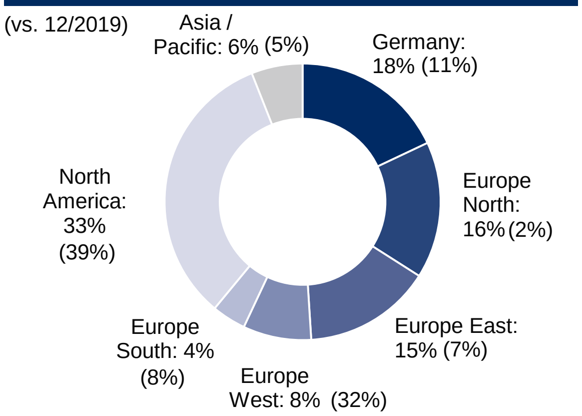
Strong new business origination with margins above plan

New business origination by quarter[1)]

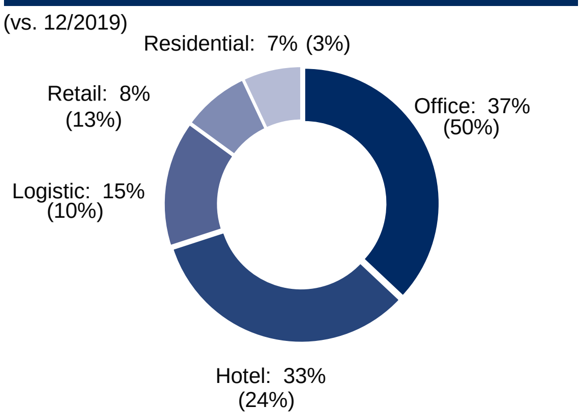


- New business origination significantly above Q1 2019
- Newly acquired business margins of ~200 bp (~185 bp after FX)
- Portfolio at lower end of target size of € 26-28 bn due to
  - Significant parts of Q1 new business origination paid out in April
  - Syndication activities (€ 0.3 bn)
- Confirming portfolio within target range by year-end

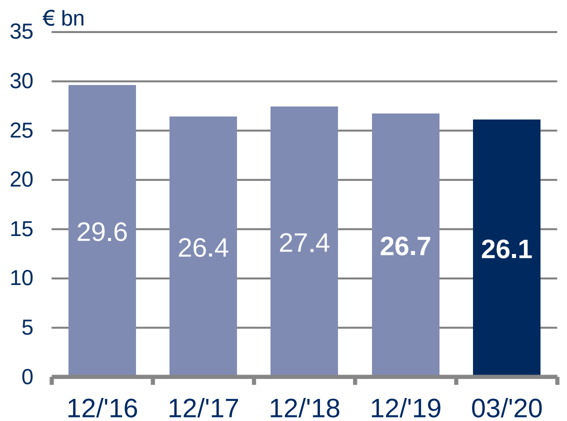
Q1-new business by region[1)]



Q1-new business by property type[1)]



REF portfolio development



1) Incl. renewals

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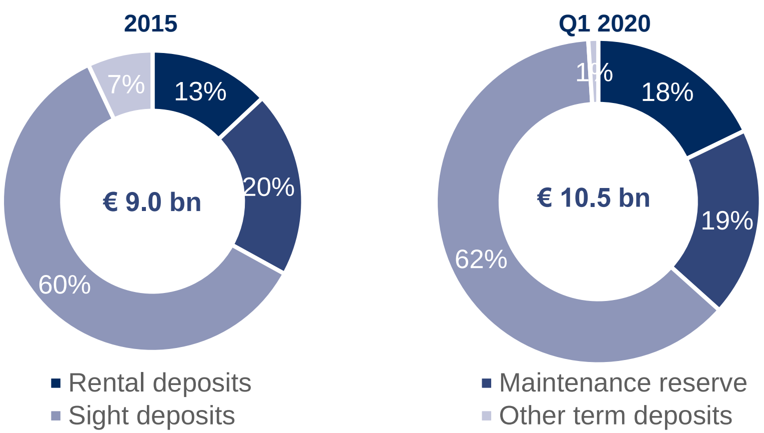
Consulting/Services Bank

Significantly better results due to new modelling of deposits
Additionally improved earnings statement via adjusted transfer pricing

Split of deposits by type



€ mn	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20
Net interest income	-3	-3	-4	-5	10
Net commission income	4	6	7	6	5
Admin expenses	18	19	20	16	18
Net other operating income	0	-1	0	1	0
Operating profit	-17	-17	-17	-14	-3

- Stable deposit volume (vs. YE), quality further improved
- Net interest income increased to € 10 mn in Q1 '20 (Q1 '19: € -3 mn)
  - Adjusted modelling:
    Increase modelled volumes and maturities of optimised deposit base structure (bottom line NII improvement)
  - Transfer price:
    Adjustment of liquidity prices from secured to unsecured spreads acc. to nature of deposits reflecting Aareal's current funding mix (allocation of NII)
- Net commission income improved yoy
- Confirming NCI guidance: +15% yoy

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Increased sales revenue and EBITDA

€ mn	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20
Sales revenues	59	63	60	70	64
▪ *Thereof ERP revenue*	*47*	*51*	*48*	*55*	*49*
▪ *Thereof Digital revenue*	*12*	*12*	*12*	*16*	*15*
Costs[1]	-45	-48	-47	-50	-50
▪ *Thereof material costs*	*-10*	*-11*	*-11*	*-12*	*-11*
EBITDA	**14**	**15**	**13**	**20**	**14**
One-offs	0	0	0	0	0
Strategic investments	0	0	-1	-2	-1
Adj. EBITDA	**14**	**15**	**14**	**22**	**15**
EBITDA	**14**	**15**	**13**	**20**	**14**
D&A / Financial result	-6	-6	-6	-6	-7
EBT / Operating profit	**8**	**9**	**7**	**13**	**7**

- Aareon sales revenue increased by € 5 mn to € 64 mn in Q1 '20 (Q1 '19: € 59 mn) translating to 8% qoq increase in Adj. EBITDA (excl. one-offs and strategic investments)
- Costs in Q1 '20 increased to € 50 mn (Q1 '19: € 45 mn) as expected, mainly driven by higher number of FTEs
- Strategic investments supporting Aareon's growth strategy rose by € 1 mn qoq on the backdrop of ramp-up of Strategic Initiatives
- Strong Consulting revenue in Q1 '20: € 17.4 mn (+10% qoq), but some projects expected to either be delayed or be cancelled over the course of the year
- Under current circumstances, Aareon sees this crisis from a business point of view as a singular event and expects an adjusted EBITDA effect in FY 2020 of ~ € -10 mn
- Crisis as a catalyst for digitization potentially leading to additional future business opportunities for Aareon
- Mid term 2025 targets and commitments remain in place. Hence it is rather a shift down the road than a losing revenue for good

1) Incl. capitalised software and other income

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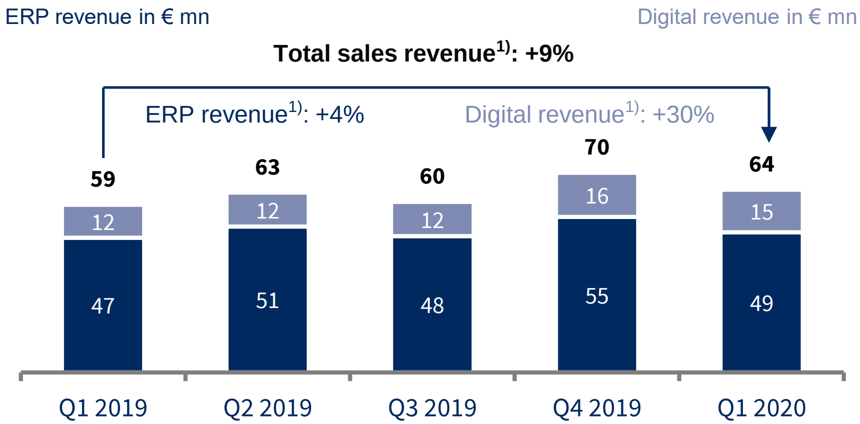
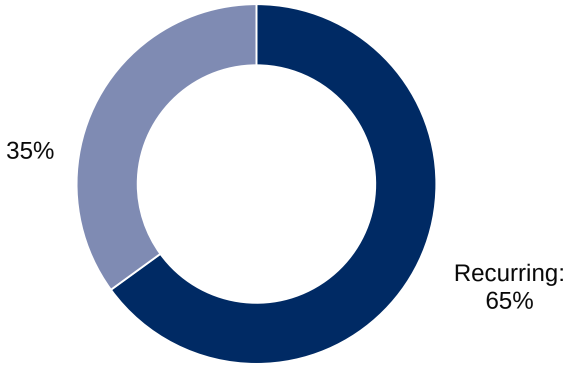
Positive sales revenue (+9% yoy); exceptional growth in digital (+30% yoy)

Sales revenue development



Q1 '20 Share of recurring revenue (LTM)[2]



1) Represents growth rate from Q1 2019 to Q1 2020
2) LTM: Last twelve month

- Aareon continued to deliver in Q1 as expected after strong FY 2019 results
- Aareon's positive sales revenue development is driven by organic growth and by contribution of CalCon
- ERP has grown by 4% qoq. New customer wins generated a growth of SaaS revenues and additional licenses
- Digital has grown by 30% qoq. Based on higher penetration with existing digital products and CalCon, Aareon managed to increase the share of digital revenue (% of total sales revenue) to 23% in Q1 '20 (Q1 '19: 20%)

- Recurring revenues share (LTM) of 65% (Q1 2019: 63%) at high level and has steadily been growing throughout the quarters
- High share of recurring revenue helps smoothing quarterly volatility and bridges adverse effects of business cycles and tail events, e.g. Corona pandemic
- Trend in the customer base to buy into SaaS based ERP and digital solution is ongoing, additionally the demand for outsourcing services remains high as well

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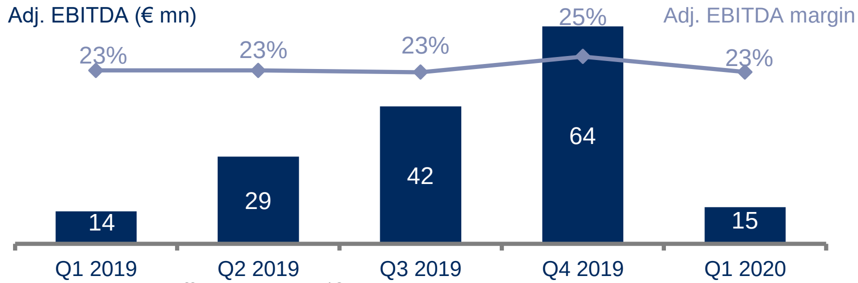
Aareon on track with improving margins and high R&D spend

Adj. EBITDA / Adj. EBITDA margin development - ytd



Impact from one-offs on EBITDA (€ mn)

Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
0	0	0	0	0

Impact from strategic investments on EBITDA (€ mn)

Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020
0	0	-1	-2	-1

- Solid operational performance underpins the robust and sustainable growth of Aareon and its resilient business model
- Adj. EBITDA increased in Q1 ‘20 to € 15 mn (Q1 ’19: € 14 mn)
- Adj. EBITDA margin in Q1 ‘20 remains on the level of Q1 ’19 with 23% and aligned with Aareon seasonality

RPU and R&D spend

Revenue per unit (RPU) – LTM	**€ 25**
R&D spend as % of software revenue – YtD ***- thereof capitalised***	**20%** ***19%***

- Over the last 12 months, Aareon’s RPU amounted to ~ € 25
- Aareon has spent ~20% of total software revenues for research and development (R&D) purposes YtD
- Aareon aims to increase its R&D spend to ~25% short term on the backdrop of its digital growth strategy

Aareon segment
Strategic initiatives

Progress on strategic initiatives and the development of products, markets and M&A

Organic initiatives
- **(new) products**
- **(new) markets)**

- Aareon Smart Platform:
  Further roll-out
- Virtual Assistant:
  Preparation of market launch
- New growth cases:
  Checking potential development partners for two cases
- First venture OFI Group with platform Ophigo:
  First end-to-end-transaction successfully realized;
  pipeline targets achieved

Inorganic initiatives, M&A

- CalCon Group:
  Acquisition was effective as of 1 January 2020 (contract was signed in November 2019). Project to integrate the CalCon Group's solutions – epiqr for property condition assessment and the new AiBATROS® product generation – in Aareon Smart World has been pressed ahead.
- M&A:
  Aareon Management has conducted extensive market screening for potential targets and numerous opportunities have been identified which are systematically pursued. Overall, we are confident of announcing further acquisitions this year.

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Group results Q1 2020

04

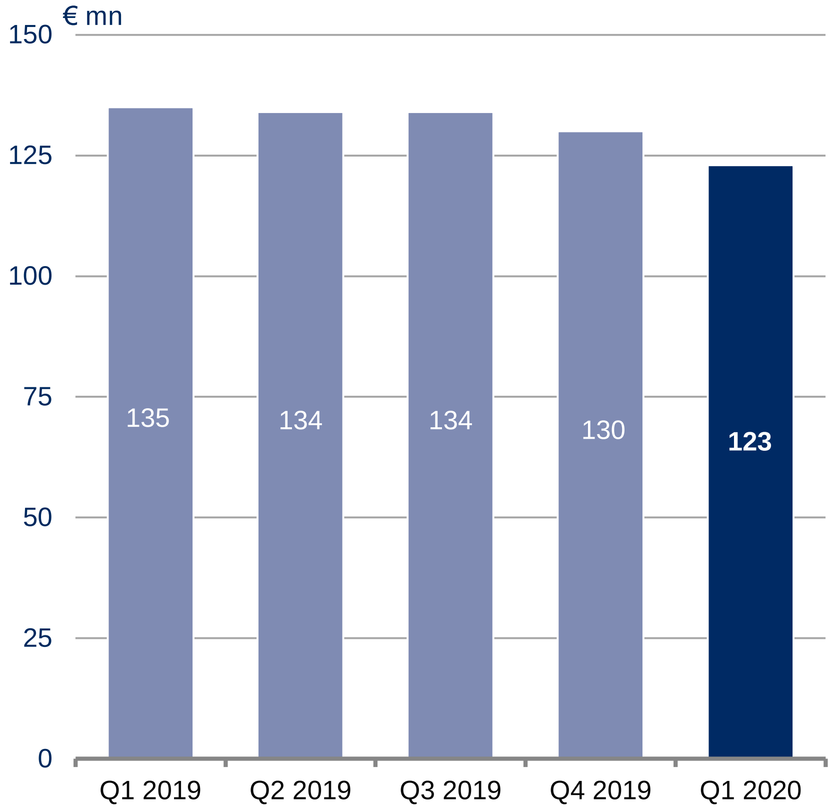
Q1 results 2020

Positive despite Covid-19 impact and FY-banking levy

€ mn	Q1 '19	Q2 '19	Q3 '19	Q4 '19	Q1 '20	Q1 2020-Comments
Net interest income	135	134	134	130	123	Reflecting lower portfolio size in Q1 due to successful de-risking in 2019
Derecognition result	16	11	15	22	7	Normalised multi-year average after adjustments of TR-portfolio
Loss allowance	5	23	27	35	58	Covid-19 triggered a single new NPL as well as model parameter adjustments due to increased economic uncertainties
Net commission income	53	57	54	65	57	Continuously significant above previous year's levels
FV- / hedge-result	6	-7	2	-4	11	e.g. effects from syndication and valuation of derivatives
Admin expenses	144	112	114	118	129	Lower costs, Q1 incl. FY banking levy
Others	*0*	*1*	*0*	*2*	*0*	
Operating profit (EBT)	**61**	**61**	**64**	**62**	**11**	**Positive despite Covid-19 impact and FY-banking levy**
Income taxes	21	20	24	20	4	
Minorities / AT1	5	4	5	4	5	
Consolidated net income allocated to ord. shareholders	**35**	**37**	**35**	**38**	**2**	**Positive despite Covid-19 impact and FY-banking levy**
Earnings per share (€)	0.59	0.61	0.60	0.62	0.04	

Net interest income (NII)

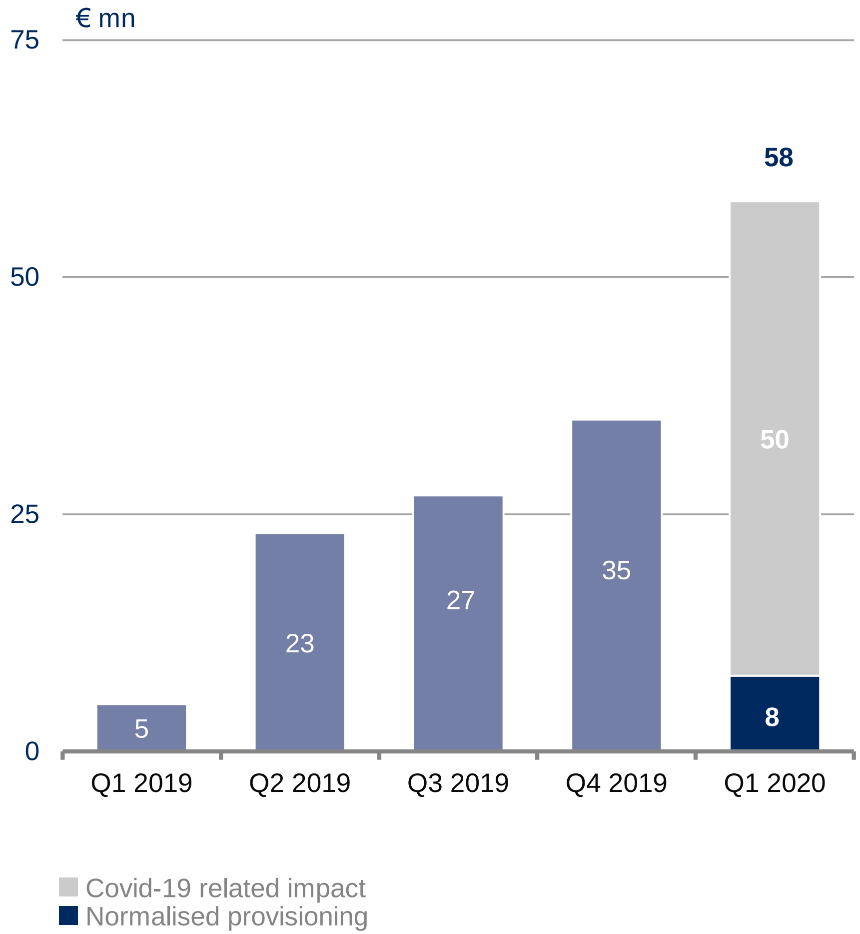
Reflecting lower portfolio size in Q1 due to successful de-risking in 2019



- Successful de-risking in 2019 led to a lower CREF- and TR portfolio
- Syndication activities in Q1 continued
- Confirming portfolio within target range of € 26-28 bn by year end
- NII expected to stabilise slightly above current level throughout 2020

Loss allowance (LLP)

Covid-19 triggered a single new NPL as well as model parameter adjustments due to increased economic uncertainties

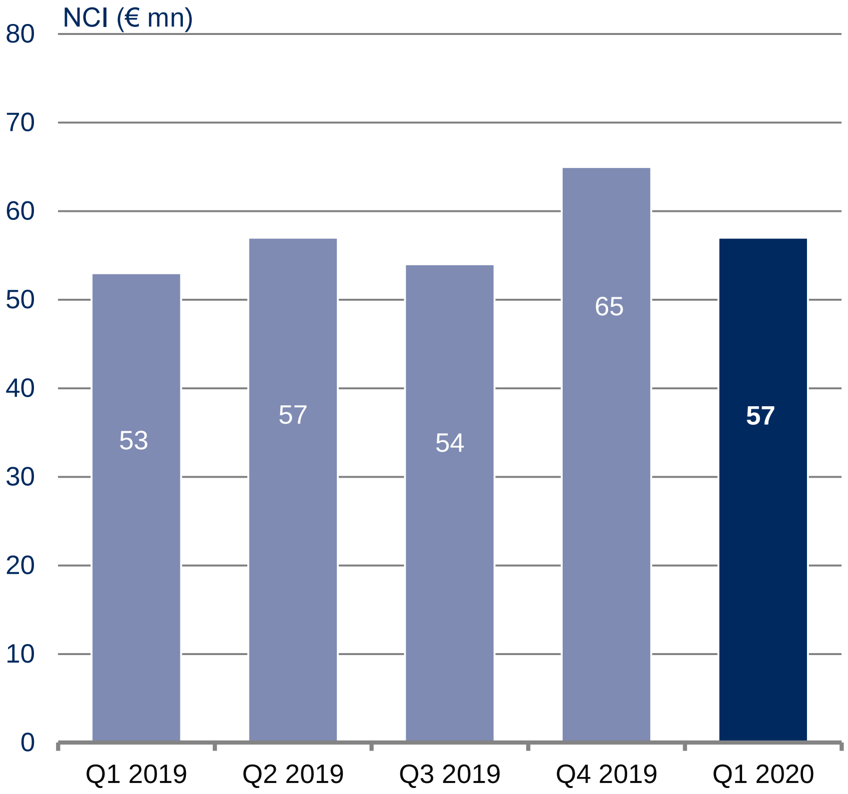


LLP as a combination of

- € 8 mn normalised provisioning
- € 50 mn Covid-19 related impact
  - € 17 mn model parameter adjustments (due to increased economic uncertainties)
  - € 33 mn new US-NPL: The already final negotiated restructuring of a loan fell through due the outbreak of Covid-19

Net commission income

Continuously significant above previous year's levels

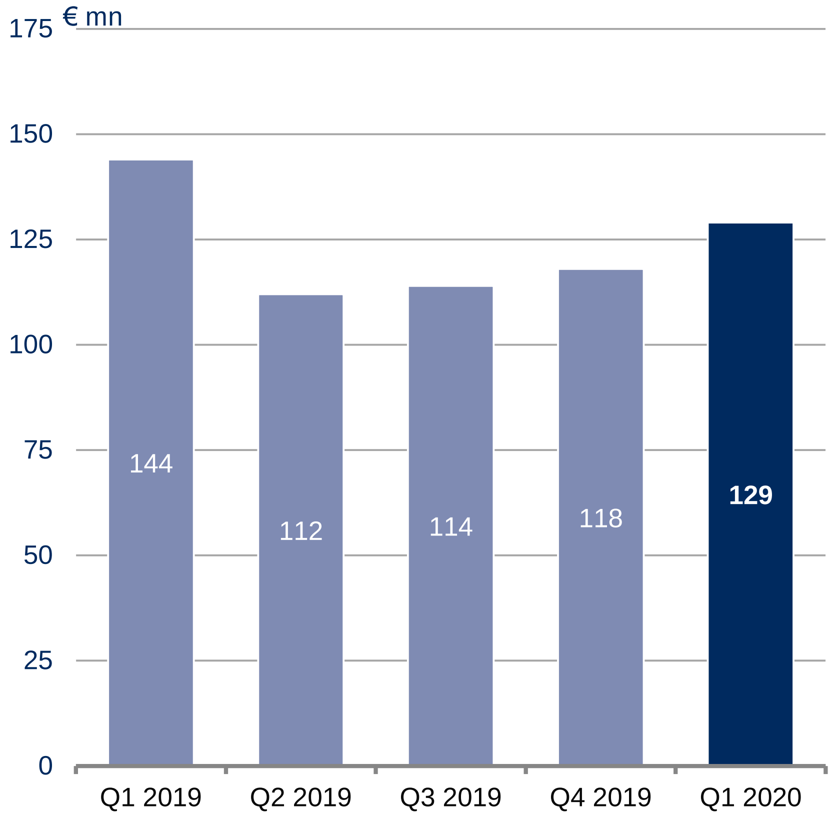


- Further increase by 8% yoy driven by Aareon
  - Aareon's positive development is driven by planned organic growth and contribution of CalCon
  - Digital +30% qoq
- C/S Bank increased contribution of € 5 mn in line with planned increase of 15% yoy
- CREF-contribution of € 2 mn

Aareal

Admin expenses

Lower costs, Q1 incl. FY banking levy



- Q1 admin expenses incl.
  - € 18 mn for FY-European bank levy and ESF
  - € 3 mn transformation costs
  - € 10 mn Covid-19 related underspend cost savings
- Additional € 5 mn (vs. Q1 2019) from Aareon growth (organic and M&A activities)

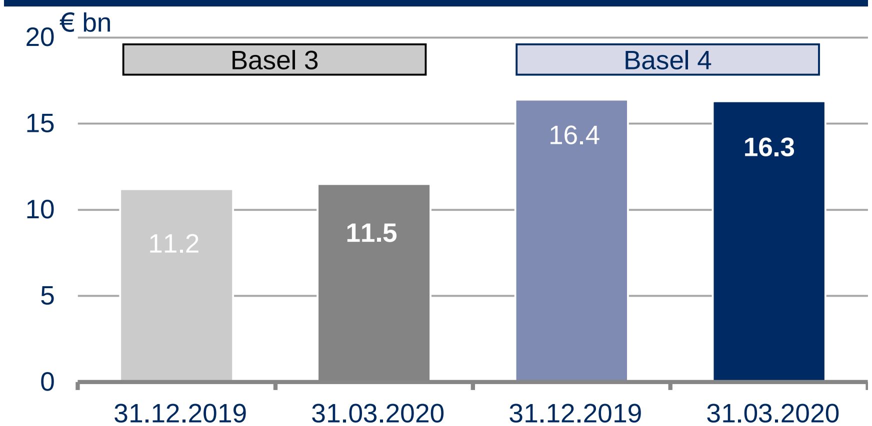
Capital, B/S, Funding/Liquidity

05

Capital

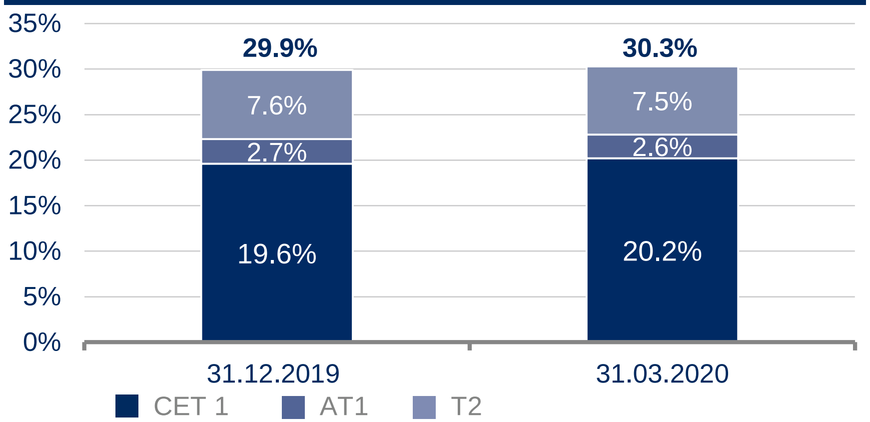
Solid capital ratios

B3 / B4[1)] RWA

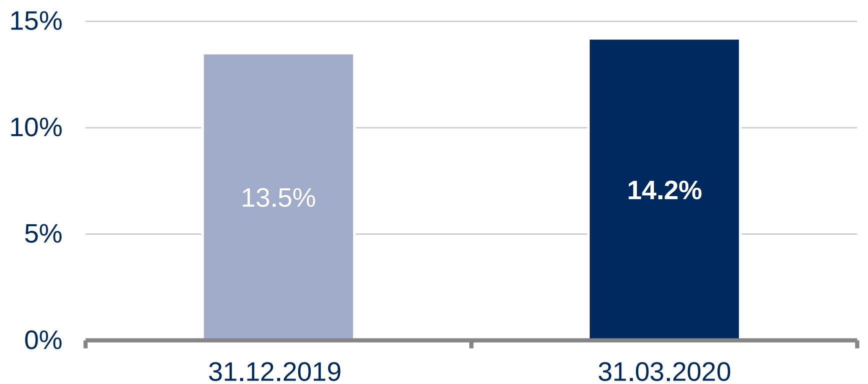


- Solid capital ratios further increased
- Capital[2)]: + Dividend[3)]
  - Covid-19 related dilution of OCI-bonds
  - Prudential provisioning
- RWA: - Lower portfolio volume
  + Covid-related default
  + Revaluation effects
  + Incorporation of collaterals from new loans after reporting date (only B3)
- T1-Leverage ratio: 6.6%
- Remaining regulatory uncertainties (models, ICAAP, ILAAP, B4 etc.): modelled RWA's may further inflate

B3 capital ratio



B4 CET 1 ratio[1)]



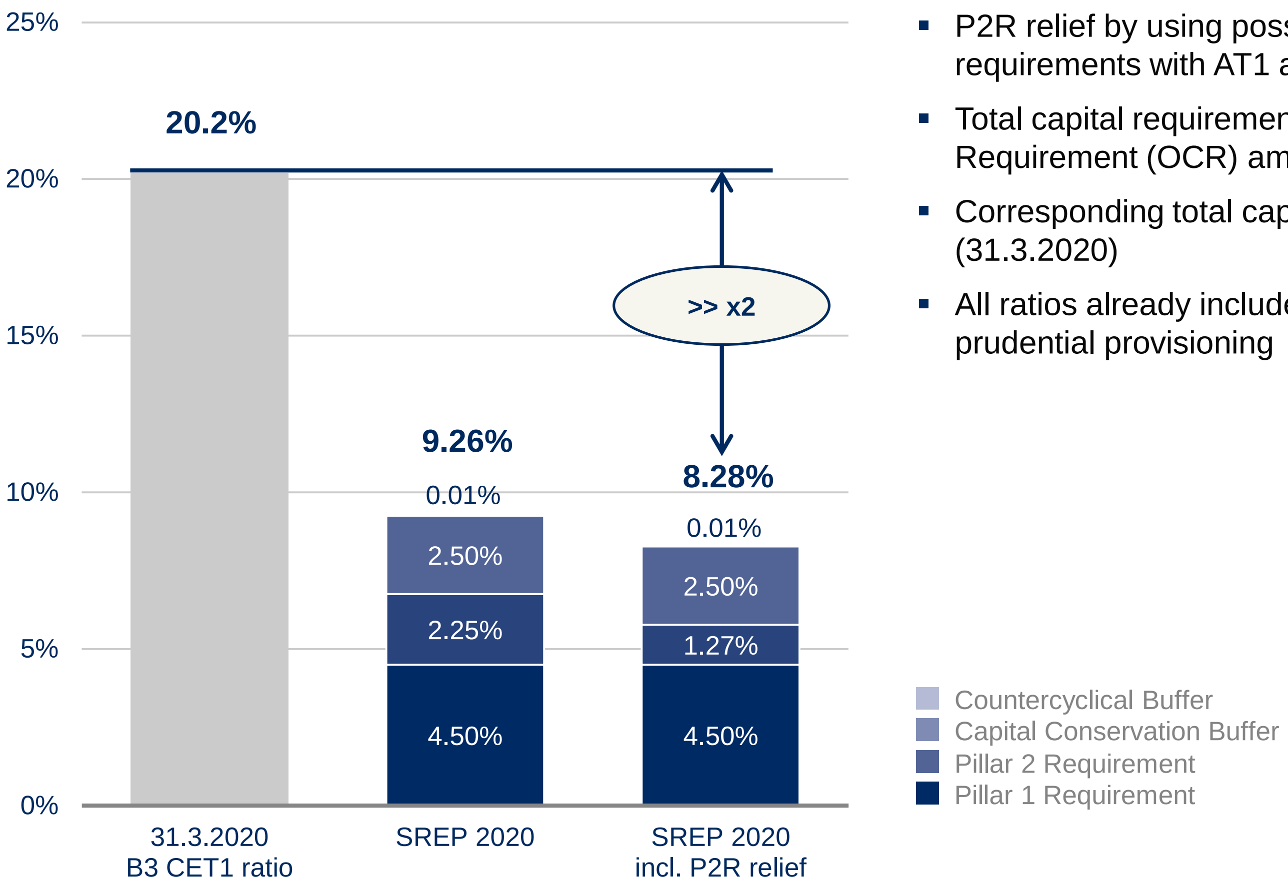
1) Underlying RWA estimate, given a 72.5 % output floor based on the final Basel Committee framework dated 7 December 2017, calculation subject to outstanding EU implementation as well as the implementation of further regulatory requirements
2) When calculating own funds as at 31.03.2020, interim profits were taken into account, deducting the pro-rata dividend in line with the dividend policy, and incorporating the pro-rata accrual of net interest payable on the AT1 bond.
3) Dividend 2019: subject to AGM decision

Aareal

SREP (CET 1) requirements

Demonstrating conservative and sustainable business model

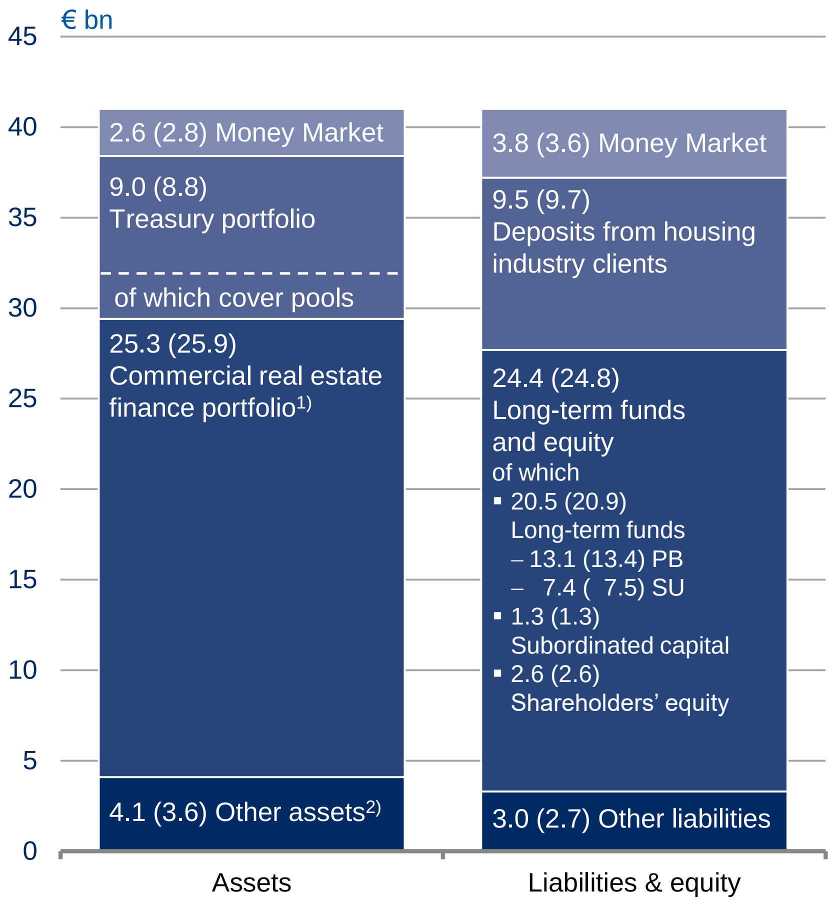
B3 CET1 ratio vs. SREP (CET1) requirements



- B3 CET1 buffer translates into > € 1.3 bn
- P2R relief by using possibility of partially fulfilling requirements with AT1 and T2 capital
- Total capital requirement 2020 (Overall Capital Requirement (OCR) amounts to 12.8%
- Corresponding total capital ratio amounts to 30.3% (31.3.2020)
- All ratios already include TRIM effects as well as prudential provisioning

B/S structure according to IFRS

As at 31.03.2020: € 41.0 bn (31.12.2019: € 41.1 bn)



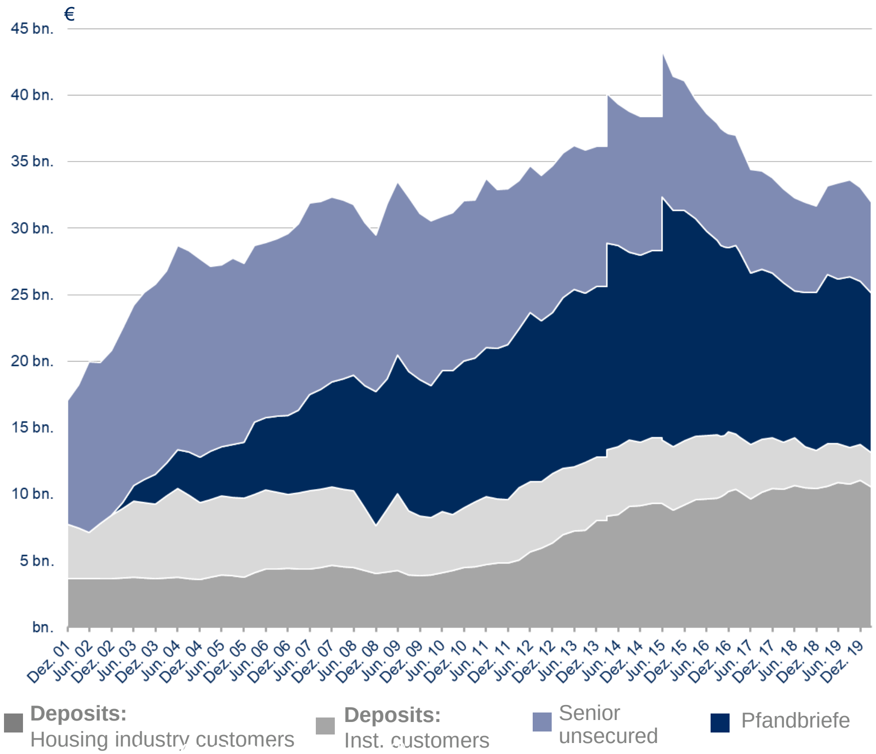
- Well balanced B/S structure
- Comfortable money market liquidity buffer after successful de-risking in 2019

1) CREF-portfolio only, private client business (€ 0.4 bn) and WIB's public sector loans (€ 0.3 bn) not included
2) Other assets includes € 0.4 bn private client portfolio and WIB's € 0.3 bn public sector loans

Aareal

Funding / Liquidity

Diversified funding sources and distribution channels



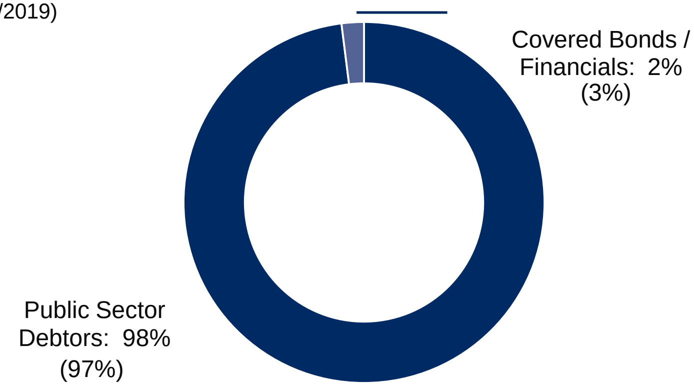
- Sustainable and strong housing industry deposit base:
  - Stays at a high level and counts for more than 30% of well diversified funding mix
  - Demonstrates the expected high resistance at the top of the Covid-19 crisis and low volatility of the volume
  - Becomes an even more attractive funding instrument due to overall wider credit spreads for capital markets instruments
- 04/'20: Successful issuance of EUR 100 Mio. senior preferred notes at attractive funding spreads (3Y, MS +95) even in a very volatile and challenging market environment
- High Liquidity position additionally supported by successful de-risking in 2019
- Liquidity ratios significantly over fulfilled:
  - NSFR > 100%
  - LCR >> 100%

Treasury portfolio

€ 7.5 bn (2019: € 7.3 bn) of high quality and highly liquid assets

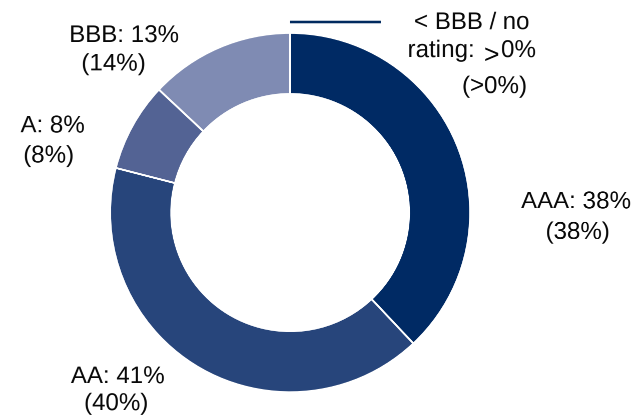
by asset class

(vs. 12/2019)



by rating[1)]

(vs. 12/2019)



Rating mix again slightly improved:
Share of BBB at only 13%

As at 31.03.2020 – all figures are nominal amounts
1) Composite Rating

Outlook 2020

06

Outlook 2020

We had qualified our annual forecast published in the 2019 Annual Report, noting that the impact of the COVID-19 pandemic cannot be reliably estimated and that it is thus impossible to anticipate the consequences for business and earnings development.

In the remaining course of the year and in addition to our strategic initiatives as part of “Aareal Next Level” we focus to overcome the challenges and impacts from the Covid-19 pandemic together with our clients.

Crucial Question:	When will the economic recovery kick-in? With what momentum?
Our assumption:	We assume a continuous normalisation of the global economy from mid 2020 onwards followed by a significant recovery (“Swoosh” shaped) in 2021.
Our Outlook:	**Based on this assumption and from today’s point of view, we consider a substantially positive operating profit to be within reach.**

In the current environment this outlook is naturally characterized by a high degree of uncertainty – especially regarding the duration and the intensity of the crisis, the speed of the recovery and their subsequent consequences for our clients as well as regulatory and accounting uncertainties and the possibility of not reliably foreseeable defaults of single loans.

Key Takeaways

07

Key takeaways

Key Takeaway	**A good starting point**	Facing the Covid-19 crisis from a position of strength, with extremely solid capital ratios, sound portfolio and comfortable liquidity position
	Solid performance	Positive Q1 results despite Covid-19 impacts and FY-banking levy
	Manageable risks	From today‘s point of view Covid-19 risks manageable – even under adverse assumptions
	Realistic guidance	From today’s point of view, we consider a substantially positive operating profit to be within reach (see page 36)
	Compelling strategy	Pursuing the strategic priorities of "Aareal Next Level", with a focus on further growth acceleration at Aareon

Aareal

Group Results

Appendix

Aareal Bank Group

Results Q1 2020

	01.01.-31.03.2020 € mn	01.01.-31.03.2019 € mn	Change
Profit and loss account			
Net interest income	123	135	-9%
Loss allowance	58	5	
Net commission income	57	53	8%
Net derecognition gain or loss	7	16	-56%
Net gain or loss from financial instruments (fvpl)	10	6	67%
Net gain or loss on hedge accounting	1	0	
Net gain or loss from investments accounted for using the equity method	0	0	
Administrative expenses	129	144	-10%
Net other operating income / expenses	0	0	
Operating Profit	**11**	**61**	**-82%**
Income taxes	4	21	-81%
Consolidated net income	**7**	**40**	**-83%**
Consolidated net income attributable to non-controlling interests	1	1	
Consolidated net income attributable to shareholders of Aareal Bank AG	6	39	-85%
Earnings per share (EpS)			
Consolidated net income attributable to shareholders of Aareal Bank AG[1)]	6	39	-85%
of which: allocated to ordinary shareholders	2	35	-94%
of which: allocated to AT1 investors	4	4	
Earnings per ordinary share (in €)[2)]	0.04	0.59	-93%
Earnings per ordinary AT1 unit (in €)[3)]	0.04	0.04	

1) The allocation of earnings is based on the assumption that net interest payable on the AT1 bond is recognised on an accrual basis.
2) Earnings per ordinary share are determined by dividing the earnings allocated to ordinary shareholders of Aareal Bank AG by the weighted average of ordinary shares outstanding during the financial year (59,857,221 shares). Basic earnings per ordinary share correspond to diluted earnings per ordinary share.
3) Earnings per AT1 unit (based on 100,000,000 AT1 units with a notional amount of 3 € each) are determined by dividing the earnings allocated to AT1 investors by the weighted average of AT1 units outstanding during the financial year. Earnings per AT1 unit (basic) correspond to (diluted) earnings per AT1 unit.

Aareal

Aareal Bank Group

Results Q1 2020 by segments

€ mn	Structured Property Financing		Consulting / Services Bank		Aareon		Consolidation/ Reconciliation		Aareal Bank Group	
	01.01.- 31.03. 2020	01.01- 31.03. 2019	01.01.- 31.03. 2020	01.01- 31.03. 2019	01.01.- 31.03. 2020	01.01- 31.03. 2019	01.01.- 31.03. 2020	01.01- 31.03. 2019	01.01.- 31.03. 2020	01.01- 31.03. 2019
Net interest income	113	138	10	-3	0	0	0	0	123	135
Loss allowance	58	5			0	0			58	5
Net commission income	2	2	5	4	53	49	-3	-2	57	53
Net derecognition gain or loss	7	16							7	16
Net gain or loss from financial instruments (fvpl)	10	6			0				10	6
Net gain or loss on hedge accounting	1	0							1	0
Net gain or loss from investments accounted for using the equity method					0	0			0	0
Administrative expenses	68	87	18	18	46	41	-3	-2	129	144
Net other operating income / expenses	0	0	0	0	0	0	0	0	0	0
Operating profit	**7**	**70**	**-3**	**-17**	**7**	**8**	**0**	**0**	**11**	**61**
Income taxes	3	24	-1	-5	2	2			4	21
Consolidated net income	**4**	**46**	**-2**	**-12**	**5**	**6**	**0**	**0**	**7**	**40**
Allocation of results										
Cons. net income attributable to non-controlling interests	0	0	0	0	1	1			1	1
Cons. net income attributable to shareholders of Aareal Bank AG	4	46	-2	-12	4	5	0	0	6	39

Aareal Bank Group
Results – quarter by quarter

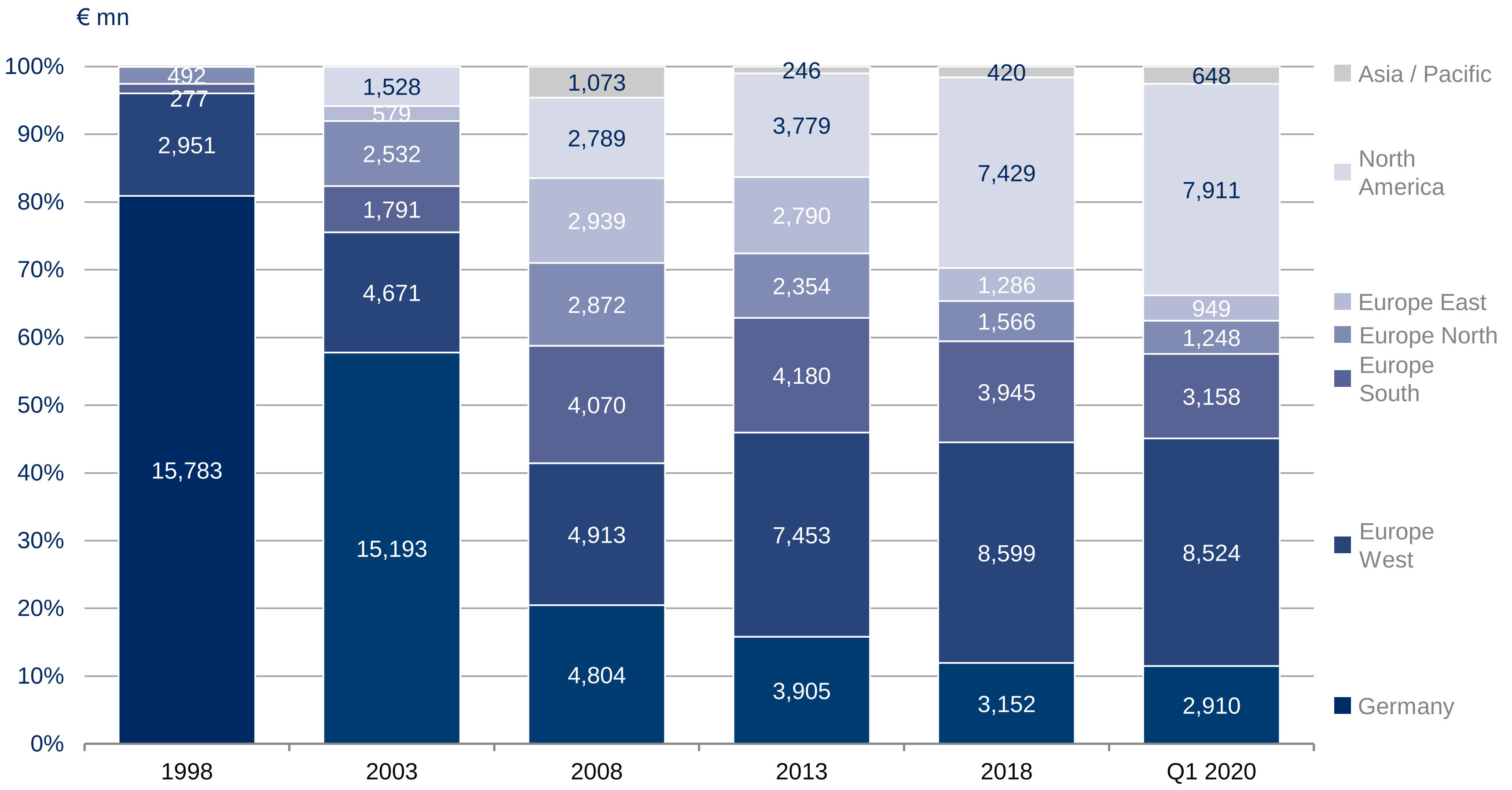
€ mn	Structured Property Financing					Consulting / Services Bank					Aareon					Consolidation / Reconciliation					Aareal Bank Group				
	Q1 '20	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q1 '20	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q1 '20	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q1 '20	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q1 '20	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	113	135	138	138	138	10	-5	-4	-3	-3	0	0	0	-1	0	0	0	0	0	0	123	130	134	134	135
Loss allowance	58	35	27	23	5		0				0	0	0	0	0						58	35	27	23	5
Net commission income	2	4	2	2	2	5	6	7	6	4	53	58	49	52	49	-3	-3	-4	-3	-2	57	65	54	57	53
Net derecognition gain or loss	7	22	15	11	16																7	22	15	11	16
Net gain / loss from fin. instruments (fvpl)	10	-4	5	-6	6						0	0									10	-4	5	-6	6
Net gain or loss on hedge accounting	1	0	-3	-1	0																1	0	-3	-1	0
Net gain / loss from investments acc. for using the equity method		1									0	0	0		0						0	1	0		0
Administrative expenses	68	59	55	53	87	18	16	20	19	18	46	46	43	43	41	-3	-3	-4	-3	-2	129	118	114	112	144
Net other operating income / expenses	0	-1	-1	1	0	0	1	0	-1	0	0	1	1	1	0	0	0	0	0	0	0	1	0	1	0
Operating profit	**7**	**63**	**74**	**69**	**70**	**-3**	**-14**	**-17**	**-17**	**-17**	**7**	**13**	**7**	**9**	**8**	**0**	**0**	**0**	**0**	**0**	**11**	**62**	**64**	**61**	**61**
Income taxes	3	21	27	23	24	-1	-4	-6	-6	-5	2	3	3	3	2						4	20	24	20	21
Consolidated net income	**4**	**42**	**47**	**46**	**46**	**-2**	**-10**	**-11**	**-11**	**-12**	**5**	**10**	**4**	**6**	**6**	**0**	**0**	**0**	**0**	**0**	**7**	**42**	**40**	**41**	**40**
Cons. net income attributable to non-controlling interests	0	0	0	0	0	0	0	0	0	0	1	0	1	0	1						1	0	1	0	1
Cons. net income attributable to ARL shareholders	4	42	47	46	46	-2	-10	-11	-11	-12	4	10	3	6	5	0	0	0	0	0	6	42	39	41	39

Commercial Real Estate Finance Portfolio

Appendix

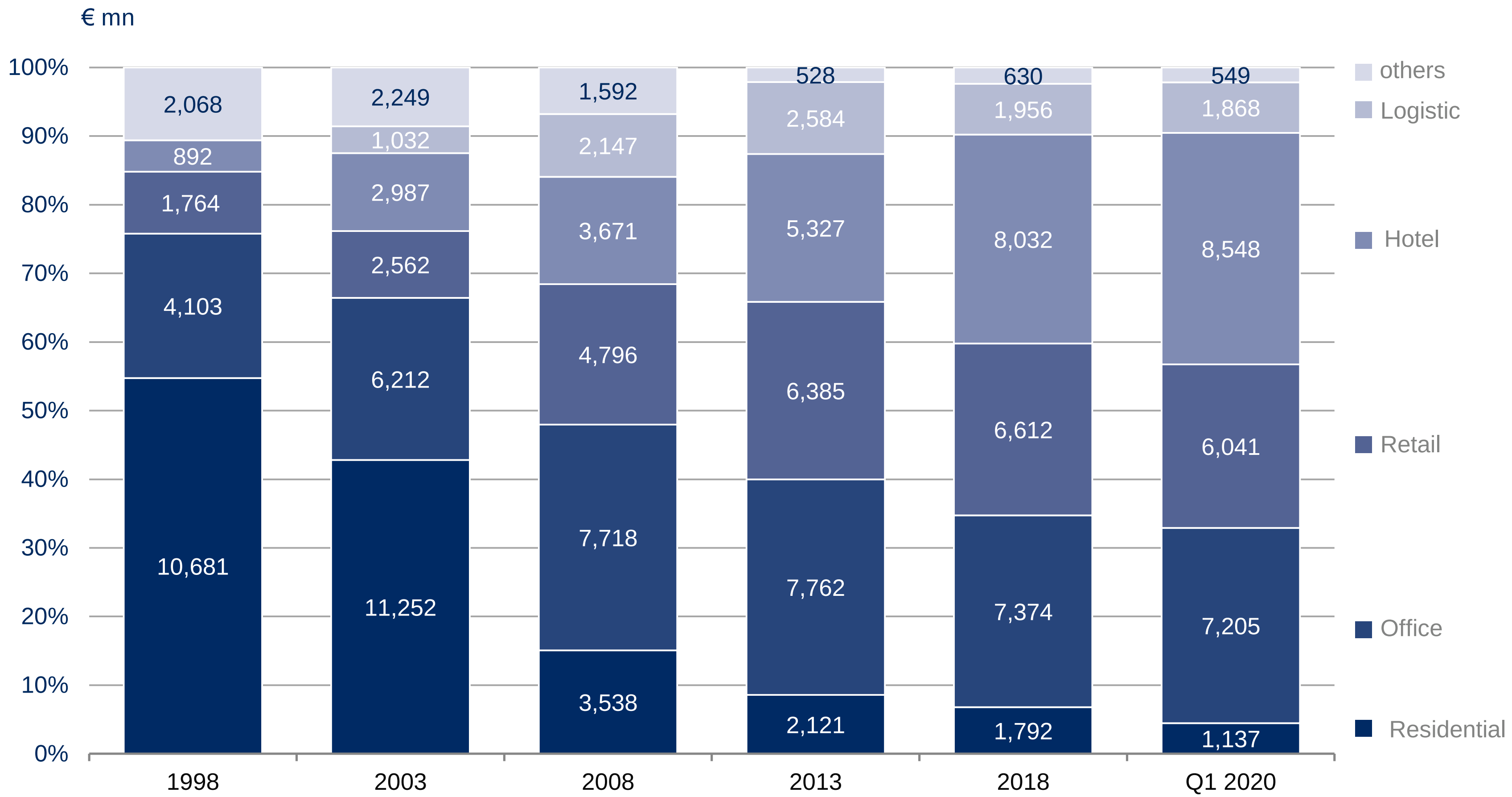
Development commercial real estate finance portfolio

By region



Development commercial real estate finance portfolio

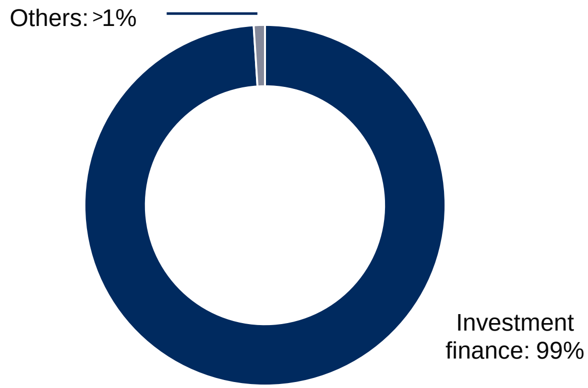
By property type



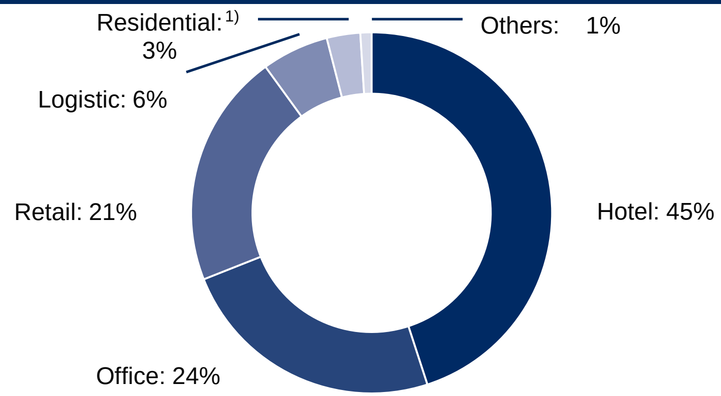
Western Europe (ex Germany) CREF portfolio

Total volume outstanding as at 31.03.2020: € 8.5 bn

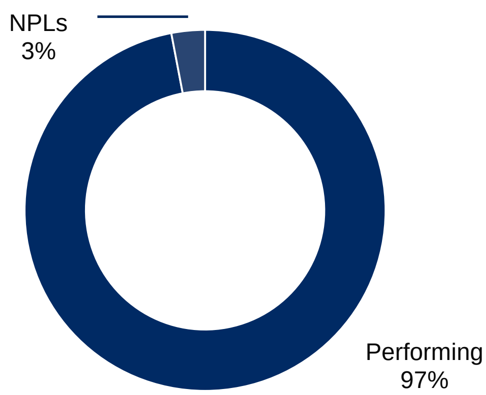
by product type



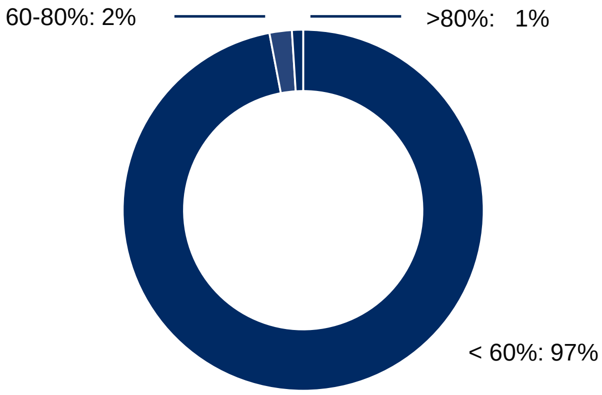
by property type



by performance



by LTV ranges[2]

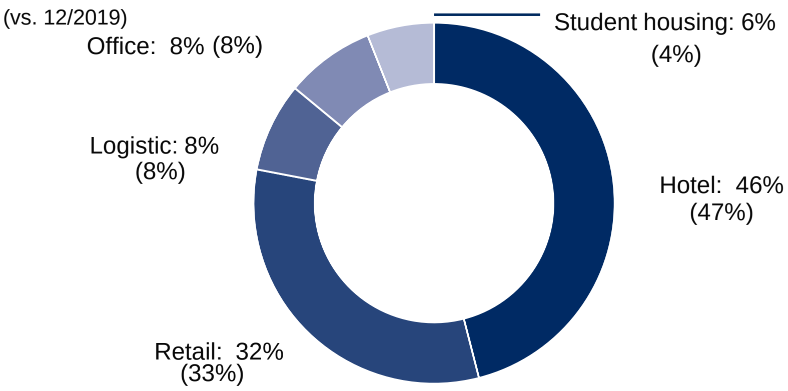


1) Incl. Student housing (UK & Australia only)
2) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

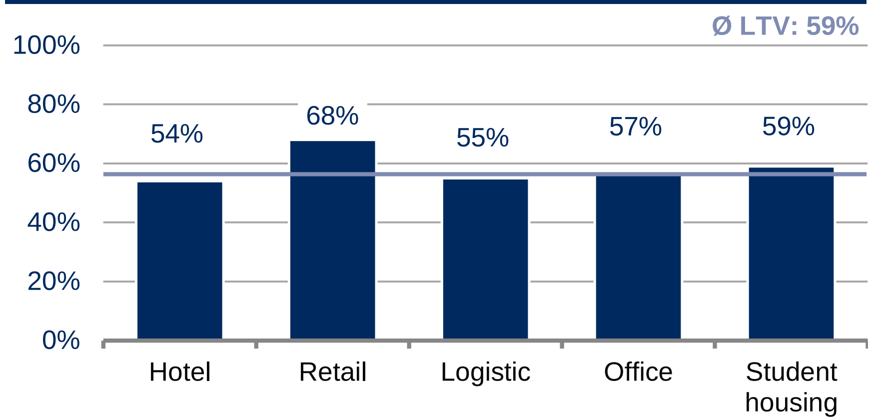
Spotlight: UK CREF portfolio

€ 3.9 bn (~16% of total CREF-portfolio)

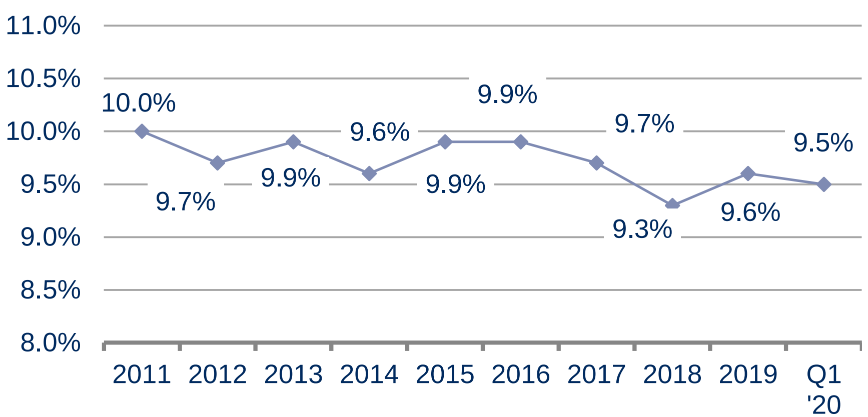
Total portfolio by property type



Average LTV by property type[1)]



Yield on debt[1)]



Comments (vs. 2019)

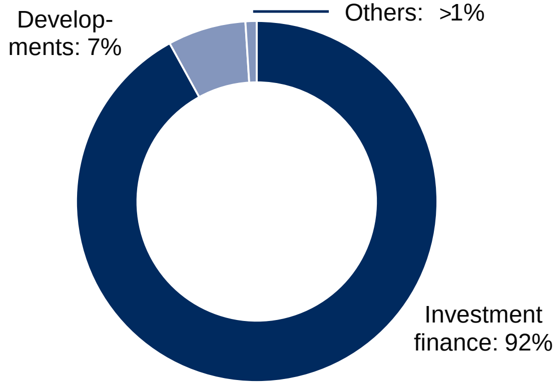
- Performing:
  - Investment finance only, no developments
  - ~ 60% of total portfolio in Greater London area, emphasising on hotels
  - € 177 mn with LTV > 60%
- Defaulted exposure: € 176 mn (€ 182 mn)

1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

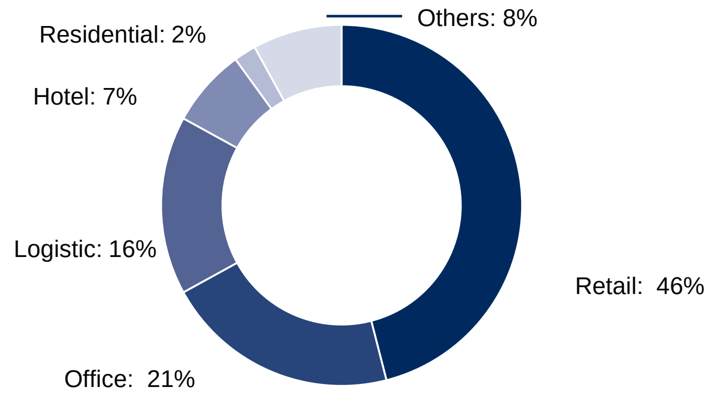
Southern Europe CREF portfolio

Total volume outstanding as at 31.03.2020: € 3.2 bn

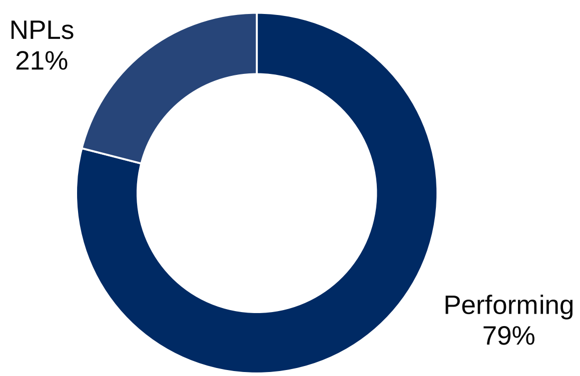
by product type



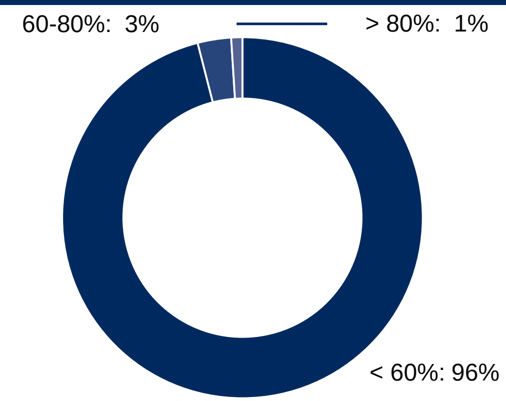
by property type



by performance



by LTV ranges[1]

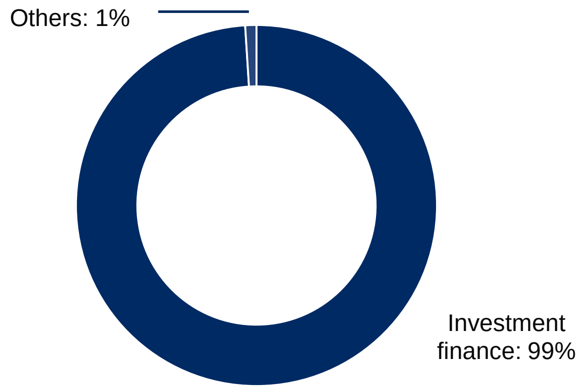


1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

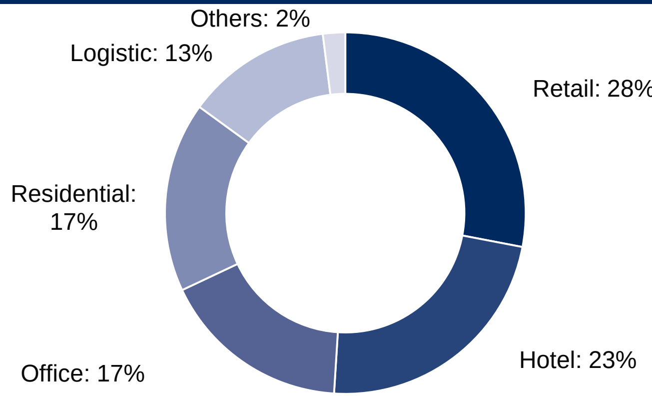
German CREF portfolio

Total volume outstanding as at 31.03.2020: € 2.9 bn

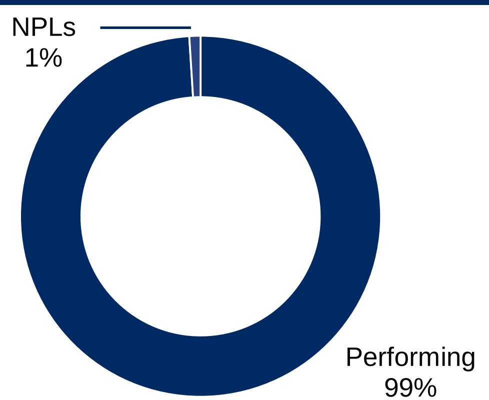
by product type



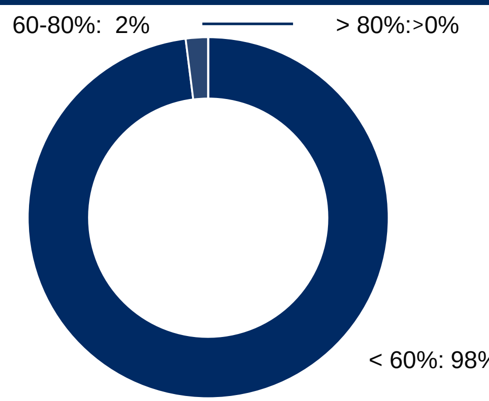
by property type



by performance



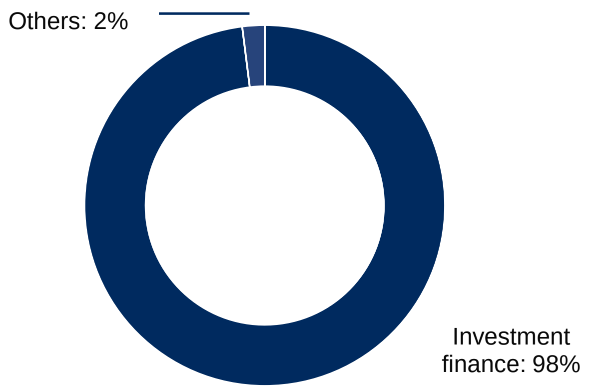
by LTV ranges[1]



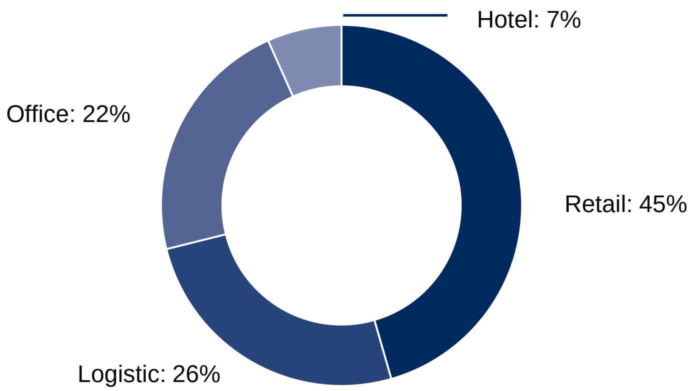
1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

Northern Europe CREF portfolio
Total volume outstanding as at 31.03.2020: € 1.2 bn

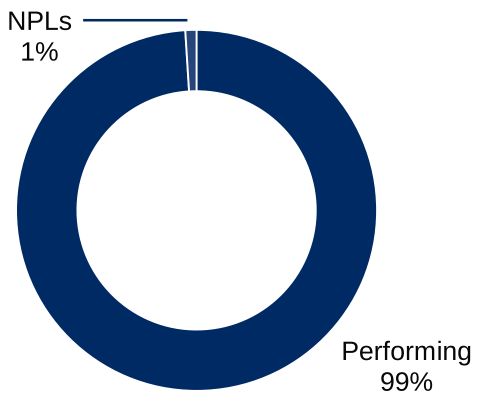
by product type



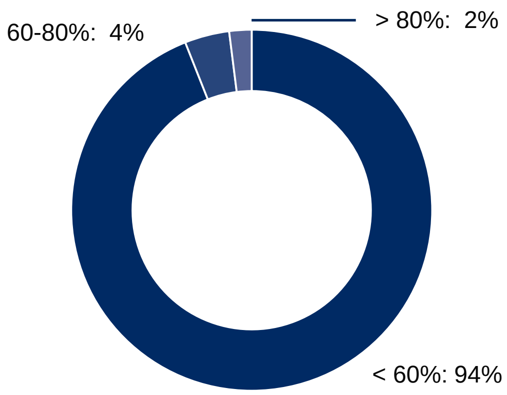
by property type



by performance



by LTV ranges[1]

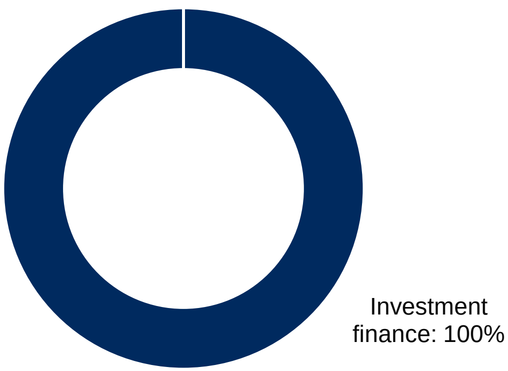


1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

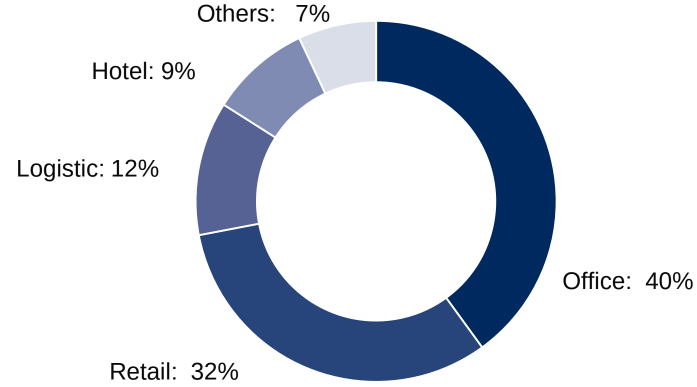
Eastern Europe CREF portfolio

Total volume outstanding as at 31.03.2020: € 0.9 bn

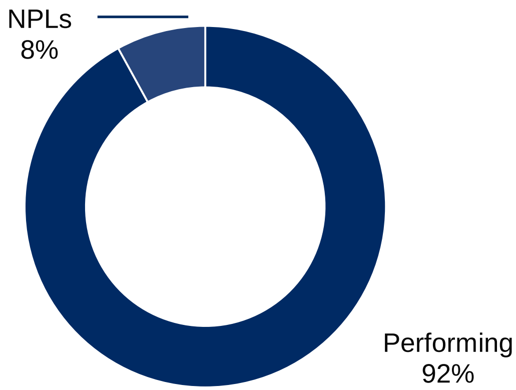
by product type



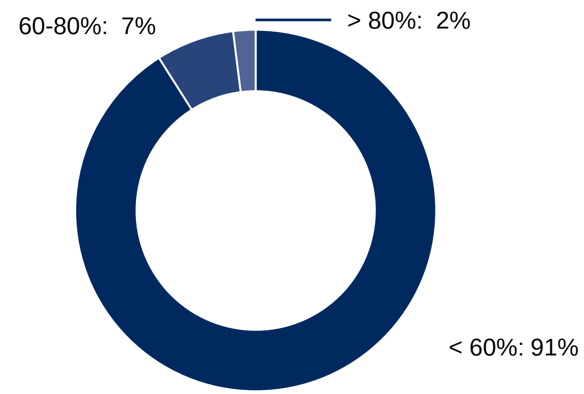
by property type



by performance



by LTV ranges[1]

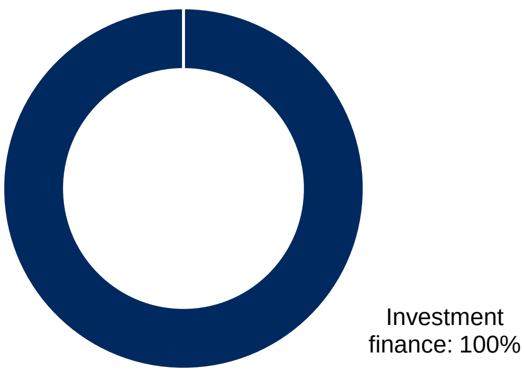


1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

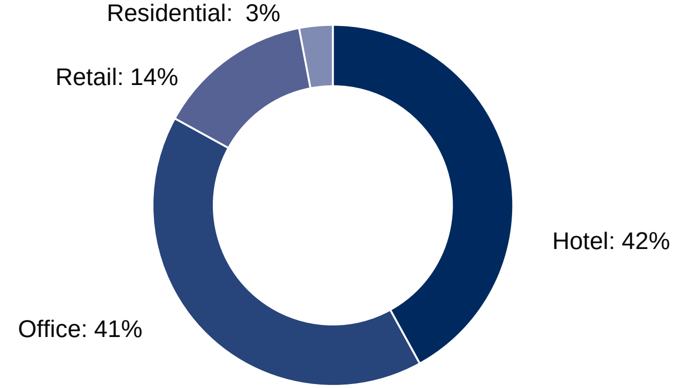
North America CREF portfolio

Total volume outstanding as at 31.03.2020: € 7.9 bn

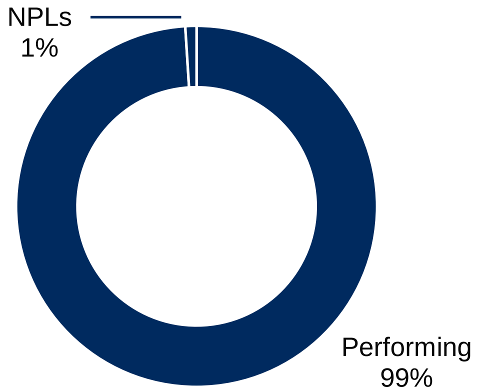
by product type



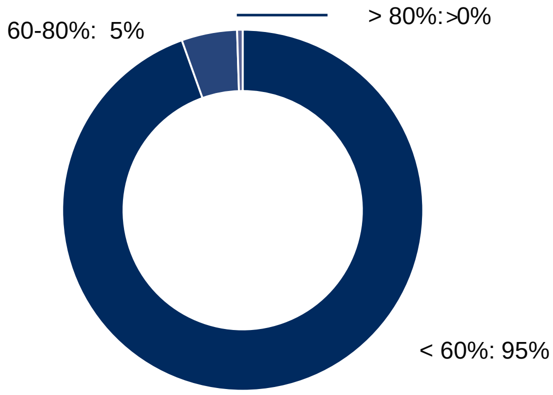
by property type



by performance



by LTV ranges[1]

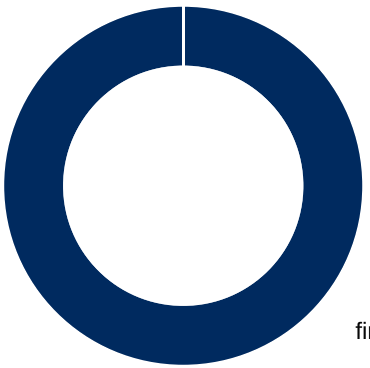


1) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

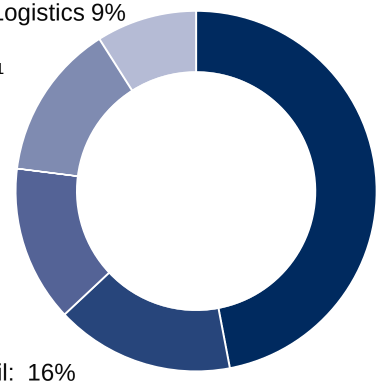
Asia / Pacific CREF portfolio

Total volume outstanding as at 31.03.2020: € 0.6 bn

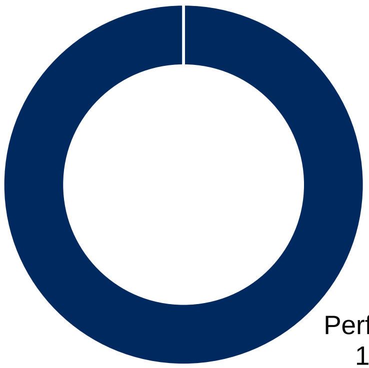
by product type



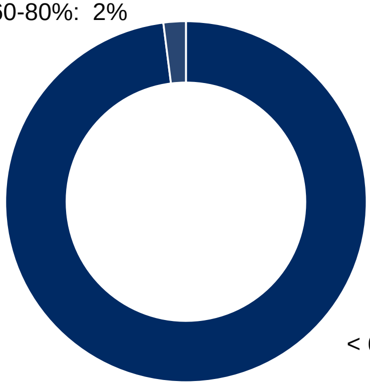
by property type



by performance



by LTV ranges[2]

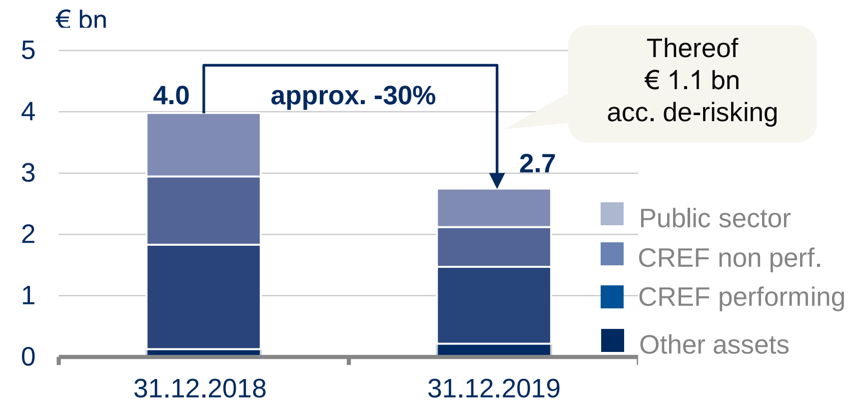


1) Incl. Student housing (UK & Australia only)
2) Performing CREF-portfolio only, LTV / YoD pre Covid-19, exposure as at 31.03.2020

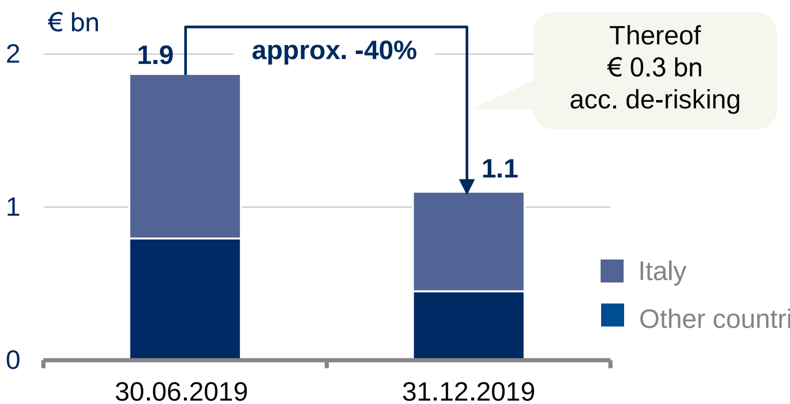
Accelerated de-risking

40% NPL reduction achieved in H2

Italian exposure, FY2018-2019



Non performing loans, H1 2019 – H2 2019



Accelerated de-risking

- Program with focus on Italian portfolio, continued in Q4 with Italian credit risk further down by approx. € 0.6 bn (thereof € 0.3 bn NPL, € 0.3 bn single borrower risk)
- Total effect from accelerated de-risking of approx. € 1.2 bn[1)] Italian credit risk in 2019
- P&L burden 2019 of approx. € 50 mn (€ ~15 mn in Q4)

NPL reduction

- In H2 2019 total NPL volume down by approx. 40%
- Italian NPL also down by approx. 40% in 2019 (incl. a foreclosed Italian asset of approx. € 90 mn taken on own book for future development, not part of acc. de-risking)

1) thereof € 350 mn NPL (in FY 2019, of which € 310 mn in H2 2019), € 350 mn single borrower risk, € 410 mn BTPs, € 80 mn NPL provisioned for future reduction

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Aareal Next Level

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Aareal Next Level

Three strategic pillars, as presented in January 2020

Published Feb 2020

Summary: What our plans beyond Aareal 2020 are

1 Keep Structured Property Financing on track

Structured Property Financing — ACTIVATE!

- Leverage on expanded origination, structuring and exit opportunities – flexibly „play the matrix“ (countries, asset classes, structures)
- Expand servicing and digitisation opportunities
- Protect the group's backbone and retain "best-in-class-position"

2 Leverage and grow our Housing and adjacent industries business

Housing and adjacent industries — ELEVATE!

- Elevate product range by utilising deep understanding of customer processes and infrastructure…
- …by further expanding product suite with a focus on fee income
- Take opportunities of joint business model developments with customers and other market players

3 As an integral part of our strategy strengthen Aareon's position as the leading software company for the European real estate industry over time and become a company with a strong independent value proposition

Aareon — ACCELERATE!

- Continue execution of already announced organic growth strategy to double EBITDA in the mid-term…
- …particularly by expanding our digital solutions portfolio organically
- On top: Accelerate through additional M&A activities - if and when opportunities arise

By doing so create sustainable value for Aareal and hence our shareholders…

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Note: All 2019 figures preliminary and unaudited

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Published Feb 2020

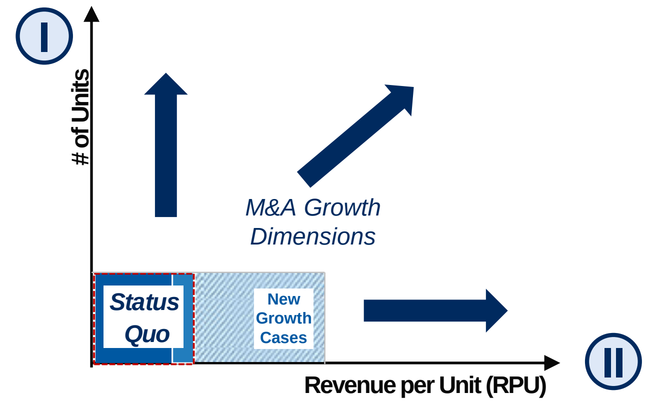
Aareal Next Level

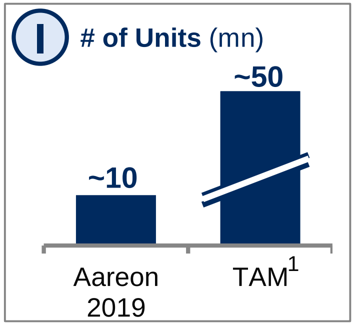
Aareon: Our value creation levers

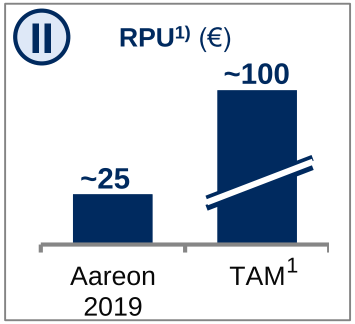
Value creation levers…

	RPU	Units	Recurring revenue
Strengthen our leading European position	✓	✓	✓
Grow digital product business on installed customer base significantly	✓		✓
Drive RPU based on installed customer base and new markets	✓	✓	
Leverage Aareon products along vertical industry expansion	✓	✓	
Develop software as a service business and manage cloud strategy beyond Germany	✓		✓

…and their potential impact







- **Aareon organic growth plan as presented in May 2019 well on track**
- **New classification of Aareon as industrial holding allows additional M&A activities – on our own and / or including partner(s)**

1) TAM and RPU figures rough company estimations, describing the expected entire future market potential

Aareal Next Level

Our KPIs and targets

Published Feb 2020

	2019	Stabilisation and investment phase (2020 - 2022)	Reaping the rewards phase (Mid-term)
Revenues Group[1)]	**€ 762 mn**	**Low single digit growth (CAGR)**	⇗
▪ o/w Aareon	**7 - 9% CAGR revenues // 22 - 25% CAGR digital revenues**		
Adj. EBITDA Aareon[2)]	**€ 64 mn**	⇗	**€ >110 mn**
		EBITDA from M&A on top	
Capitalisation		**~12.5% B4 CET1 ratio**	
Pre tax RoE	**8.7%**	**Stable** (through investment phase)	**12%** (more supportive environment)
Dividend policy	**50% base dividend plus 20-30% supplementary dividend**		

- **Further development and investments into three strong business propositions**
- **Shift in earnings and value contribution towards capital light and digital business**

1) Revenues Group = NII + NCI
2) 2019 + stabilisation and investment phase excl. strategic investments; Reaping the rewards phase incl. strategic investments

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Aareal Next Level

Three main contributors to achieve a 12% pre tax RoE (mid-term)

Published Feb 2020

Strategic initiatives			Reaping the rewards	③ External environment
① Bank	„Activate“	▪ Increase syndication ▪ Further expand asset light ▪ Enhance product offering ▪ Optimise cost base		Interest rate environment
	„Elevate“	▪ Grow commission income ▪ Enter new markets ▪ Optimise funding and cost base	12%	CRE (lending) markets
② Aareon	„Accelerate“	▪ Self-funded organic growth ▪ M&A opportunities		Regulation
Further options		▪ Growing balance sheet, if and when opportunities arise ▪ Adjust deposit beta ▪ …		Technology

Impact → 12% ← Impact

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Published
Feb 2020

Summary Aareal Next Level

Highlights

- We have clear visions of how to develop further our individual business activities in order to strengthen their respective independent profiles

- Regardless of the continuous adverse environment and due to our confidence in the consistency of our strategic measures, we feel comfortable with confirming our highly attractive dividend policy with a payout ratio of 50% base plus 20-30% supplementary dividend

- By investing in our businesses, we will significantly increase profitability and further enhance strategic optionalities. In a more supportive environment we aim a 12% pre tax RoE

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Dividend Policy

Appendix

Aareal Next Level

Our Dividend Policy – Confirmed despite significant regulatory burdens

Published Feb 2020

Payout ratio of up to 80% confirmed

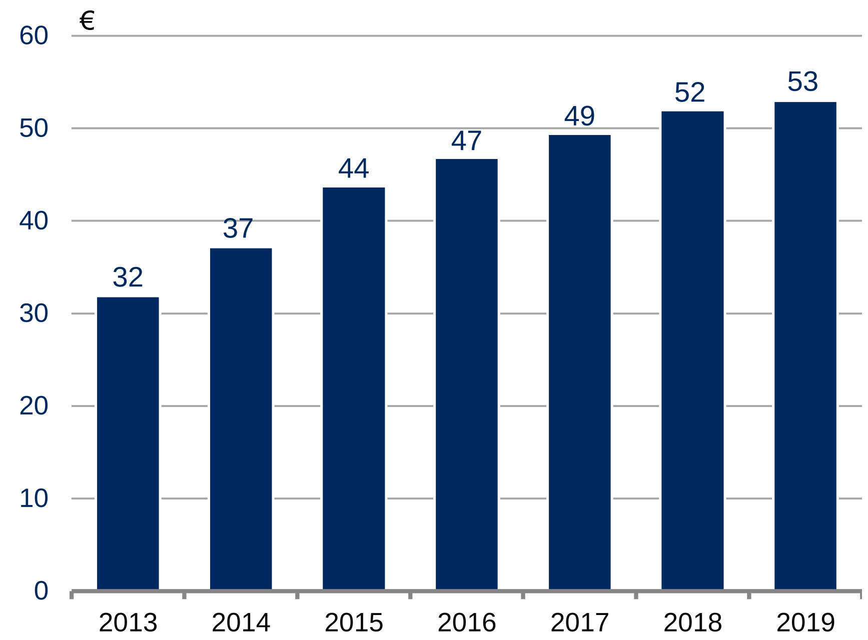
Base Dividend

+

Supplementary Dividend

- We intend to distribute approx. 50% of the earnings per ordinary share (EpS) as base dividend
- In addition, we plan to distribute supplementary dividends of up to 20-30% of the EpS under the following prerequisites:
  - No material deterioration of the environment (with longer-term and sustainably negative effects)
  - Nor attractive investment opportunities neither positive growth environment

Significant book value per share growth incl. dividend



- **Attractive dividend policy and significant book value growth creating sustainable value for Aareal and hence our shareholders**

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Regulation

Appendix

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Economic ICAAP the next focus on the regulatory agenda – our reading and take away

House of ICAAP
according to ECB ICAAP Guidelines

Maintaining capital adequacy on an ongoing basis over the medium term from 2 complementary internal perspectives

Regulatory capital ratios	Economic ICAAP
Normative internal perspective ▪ Ongoing fulfilment of all relevant regulatory requirements and external constraints ▪ Medium-term projections for at least three years: ▫ Ensure the ongoing fulfillment of OCR plus P2G in the baseline, and TSCR in adverse scenarios ▫ Takes into account all material risks (not limited to Pillar 1 risks) ▫ Considers upcoming changes in the legal / regulatory / accounting framework ▪ Adequate and consistent internal methods to quantifying impacts on Pillar 1 ratios ▪ Additional management buffers determined by the institutions	**Economic internal perspective** ▪ Risks that may cause economic losses are covered by internal capital[1)] ▪ Capital adequacy concept based on economic value considerations (e.g. net present value approach) ▪ Internal definition of capital ▪ Point-in-time risk qualification of the current situation feeding into medium-term assessment covering future developments ▪ Adequate and consistent internal risk quantification methods ▪ Internal indicators, thresholds and management buffers.

1 **Economic ICAAP on SSM priority list 2020**

- Ongoing discussions regarding interpretation of requirements
- Different methods currently used throughout Europe to estimate future volatility (scenario based vs. VAR models)
- ICAAP Guidelines published end of 2018 are very conservative regarding holding period and confidential interval
- ECB aims for future harmonization (equal to TRIM?) and potential tightening

2 **AT1 with normative triggers will no longer be eligible under Economic ICAAP:**

Regulatory capital ratios: Future treatment appears to be more generous, although decisions will be taken on a case by case basis

- P2R could be partly covered by AT1 (and/or T2)

Economic ICAAP: Future requirements will be tightened

- AT1 with normative triggers not accountable any more (see ECB feedback statement; question 208)
- Interim grandfathering of existing AT1 (issued, cut off date?) not decided yet, but unlikely from our point of view

- **AT1 in the economic ICAAP, currently and presumably in future no alternative instruments (beside CET1) available to fulfil ECB requirements (economic triggers instead of normative)**
- **Economic ICAAP to become the new capital constraint for European banks?**

1) Different risk categories regarding regulatory capital ratios and economic ICAAP

AT1: ADI of Aareal Bank AG

Appendix

Interest payments and ADI of Aareal Bank AG

Available Distributable Items (as of end of the relevant year)

€ mn	31.12. 2015	31.12. 2016	31.12. 2017	31.12. 2018	31.12. 2019
Net Retained Profit	99	122	147	126	120
▪ *Net income*	*99*	*122*	*147*	*126*	*120*
▪ *Profit carried forward from previous year*	-	-	-	-	-
▪ *Net income attribution to revenue reserves*	-	-	-	-	-
+ Other revenue reserves after net income attribution	720	720	720	720	720
= Total dividend potential before amount blocked[1)]	819	842	870	846	840
./. Dividend amount blocked under section 268 (8) of the German Commercial Code	287	235	283	268	314
./. Dividend amount blocked under section 253 (6) of the German Commercial Code	-	28	35	42	40
= Available Distributable Items[1)]	532	579	552	536	486
+ Increase by aggregated amount of interest expenses relating to Distributions on Tier 1 Instruments[1)]	46	46	32	24	23
= Amount referred to in the relevant paragraphs of the terms and conditions of the respective Notes as being available to cover Interest Payments on the Notes and Distributions on other Tier 1 Instruments[1)]	578	625	584	560	509

1) Unaudited figures for information purposes only

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Sustainability Performance

Appendix

Aareal Bank Group

Stands for solidity, reliability and predictability

Doing business sustainably

Development of Return on Equity[1] demonstrates financial strength

20.2% Common Equity Tier 1 ratio[2], significantly exceeding the statutory requirements

€ 26.1 bn Valuable Real Estate Finance Portfolio[3]

Digital solutions boost our client's sustainability records

Above average results in sustainability ratings

Covered Bonds[4] with best possible ratings – also attractive from an ESG point of view[5]

Aareal Bank awarded as top employer for the 12th time in succession

Preparations for future disclosure requirements (EU Action Plan)

1) Pre-tax RoE of 8.7% as at 31.12.2019
2) Basel 3, as at 31.03.2020
3) REF-portfolio includes private client business (€ 0.4 bn) and WIB's public sector loans (€ 0.3 bn)
4) Mortgage Pfandbriefe rated Aaa by Moody's
5) imug classified mortgage Pfandbriefe as recommendable investments with regard to ESG aspects (BBB), without DHB

Doing business sustainably

Above average ESG-Ratings confirm the company's performance

	Environment	Social	Governance
Within core business	▪ **Environmental financing criteria within property valuation** (e.g. asbestos, energy efficiency, etc.) ▪ **Transparency initiatives on portfolio level** (e.g. Climate VaR for new business 2018 looking at extreme weather events, future policy risk costs and 2°C-compatibility; additional CMS-fields for energy efficiency, green building labels) ▪ **Set-up of ESG-opportunity & risk management** (e.g. we currently work on an Aareal-Green Building Definition (by Q2 2020) and climate reporting (TCFD[1])	▪ **Strong economic performance** (e.g. contribution to the stability of the property banking sector/financial markets and to restoring trust in the banking industry) ▪ **Contribution to affordable housing** (e.g. with our software solution clients benefit from time, cost and efficiency savings) ▪ **Failsafe information security** (e.g. we undergo voluntary external audits and certification processes)	▪ **Transparent reporting on remuneration model/details** ▪ **High quality ESG-disclosure** (e.g. based on Global Reporting Initiative[2] (GRI), assured by PwC, anticipating regulatory developments (ICAAP), ESG-facts incorporated in analyst presentation) ▪ **Structure, composition and diversity of governing bodies** (Supervisory Board established five committees in order to perform its supervisory duties in an efficient manner) ▪ **Governance Roadshow**
On corporate level	▪ **Environmental disclosure** (e.g. Aareal's ecological footprint, environmental KPIs (datasheet on website), CDP reporting, etc.) ▪ **Expansion of green electricity** (88% of total electricity consumption as of 12/2018) ▪ **CO_2 compensation** (parts of business travel, print materials)	▪ **Fair, performance-oriented remuneration schemes** ▪ **Employee surveys** ▪ **Management of social matters** (e.g. Code of Conduct for employees, Code of Conduct for business partners, Human Rights policy, Diversity Charta, etc.)	▪ **CEO-responsibility for ESG matters ("tone from the top")** ▪ **ESG-targets for Management Board** ▪ **Sustainability matters regularly discussed in Board Meetings** ▪ **Groupwide Sustainability Committee established in 2012**

1) Downgrade due to average consideration of ESG aspects in governance and corporate processes.

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Sustainability data

Extends the financial depiction of the Group

Key takeaways at a glance		
Transparent Reporting – facilitating informed investment decisions		▪ "Separate Combined Non-financial Report 2019 for Aareal Bank AG" has been published on March 26, 2020 ▪ PwC issued an unqualified limited assurance opinion
Sustainability Ratings – confirming the company's sustainability performance	**MSCI**	Aareal Bank Group with "AA Rating" in highest scoring range for all companies assessed relative to global peers reg. Corporate Governance practices (as per 06/2019)
	ISS-ESG	Aareal Bank Group holds "prime status" and ranks with a C+ rating among the top 15% within the 'Financials/Mortgage & Public Sector Finance' category (since 2012, re-confirmed 08/2019)
	Sustainalytics	Aareal Bank AG is with a score of 22.9 at medium risk of experiencing material financial impacts from ESG factors, rank 116 out of 934 rated banks (13th Percentile). (as per 12/2019)
	CDP	Aareal Bank AG received a C which is in the Awareness band[1]. This is same as the Europe-regional average of C, and same as the Financial services sector average of C. (Report 2019)
	imug	Aareal Bank was rated "positive B" in the category "Issuer Performance"; rank 6 out of 43 rated banks (as per 07/2019)

1) Downgrade due to average consideration of ESG aspects in governance and corporate processes.

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Definitions and contacts

Definitions

Term		Definition
New Business	=	Newly acquired business + renewals
Common Equity Tier 1 ratio	=	$\frac{\text{CET 1}}{\text{Risk weighted assets}}$
Pre tax RoE	=	$\frac{\text{Operating profit/income ./. loss attributable to non-controlling interests ./. AT1 cupon}}{\text{Average IFRS equity excl. non-controlling interests, AT1 and dividends}}$
CIR	=	$\frac{\text{Admin expenses}}{\text{Net income}}$
Net income	=	net interest income + net commission income + net result on hedge accounting + net trading income + results from non-trading assets + results from investments accounted for at equity + results from investment properties + net other operating income
Net stable funding ratio	=	$\frac{\text{Available stable funding}}{\text{Required stable funding}}$
Liquidity coverage ratio	=	$\frac{\text{Total stock of high quality liquid assets}}{\text{Net cash outflows under stress}}$
Earnings per share	=	$\frac{\text{operating profit ./. income taxes ./. income/loss attributable to non controlling interests ./. net AT1 cupon}}{\text{Number of ordinary shares}}$
Yield on Debt	=	$\frac{\text{Net operating income (NOI)} \times 100}{\text{Current commitment incl. prior/pari-passu loans}}$ (without developments)
CREF-portfolio	=	Commercial real estate finance portfolio excl. private client business and WIB's public sector loans
REF-portfolio	=	Real estate finance portfolio incl. private client business and WIB's public sector loans

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